LIHTC Allocation Policy #1
March 23, 2010

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
Low Income Housing Tax Credit Program

POLICY STATEMENT[1]

DEFINITIONS

Adaptive Reuse:

In order for a building(s) to qualify as adaptive re-use developments, the building(s) must be different from its original or previous use, involving conversion to either 100% affordable housing, or some mix of affordable housing and other compatible uses. Adaptive reuse allows structures to retain their historical integrity while providing for the occupants' modern needs. Through changing and converting certain elements of a building, a structure can become a residential affordable housing building or a mixed use (commercial and affordable housing) building. Adaptive reuse developments may also require some demolition of the old infrastructure, extensive retrofitting to current building codes that may not have been in effect when the building was first constructed.

Affordable Assisted Living:

Residential developments for low- to moderate-income seniors that provide individual apartments in tandem with supportive services that support functional capacity and maximize independence and choice in a physically accessible environment thereby allowing seniors to age in place. Assisted living promotes independence and ensures the dignity of seniors through the concept of "person centered planning" (PCP) which leaves decision making capacity with the senior and their chosen advisers in terms of decisions related to the choice of supports coordinator, the development of a supports plan, choice of service providers, and choice of residency.

Assisted living developments may be stand alone developments or part of a larger Continuous Care Retirement Community which provides the full spectrum of senior housing and health care options, from independent living to licensed skilled nursing care on the same general site. Affordable assisted living units may also be contained in mixed income developments provided that the affordable units and market rate units are indistinguishable from each other in terms of physical attributes, layout, etc. Developments may be new construction or retrofit of an existing facility.

Chronically Homeless: See Addendum III

Community Development Corporations:

In order to qualify as a Community Development Corporation (CDC) an Applicant must be one of the following, a non-profit corporation, community action agency, or public housing commission having a prescribed geographic focus for its affordable housing activities with a minimum 3 year track record evidencing experience and capacity in

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developing affordable housing including but not limited to LIHTC projects. If the CDC is a non-profit corporation, it must be duly formed and operating under applicable Michigan law and must also be recognized by the IRS as a 501(c)(3) or (4) organization under the IRS Code. A CDC may not be controlled by, or under the direction of, individuals or entitites seeking to derive profit or gain from the CDC.

Community Revitalization Plan:

A published document, approved and adopted by the local governing body by ordinance or resolution, that targets specific geographic areas for low-income residential developments serving residents at or below 60% of the area median income.

Domestic Violence Survivor: See Addendum III

Hard Equity Commitment:

At the time of application, the applicant must submit a binding commitment (that may be conditioned upon an award of LIHTC) identifying syndicator and investor, a nonrefundable fee equal to 6% of the annual LIHTC dollar amount requested for the project (deferral of this fee is not allowed for projects claiming to have a Hard Equity Commitment) , and documentation of the items listed below:

- Identification of the investor (not simply the syndicator or a shell entity).
- The amount, price, and terms of the investment
- The planned equity pay-in schedule
- Certification that a site visit has been conducted by the investor
- Investment underwriting and financial forecast pages compiled by investor (sources and uses of funds, development budget, draw schedules, rental income and operating expenses, cash flow analysis, lease-up schedule, tax credit analysis, capital account analysis, backend analysis for sale, etc.)
- Certification that investor has conducted financial review of development team.
- Clear statement of any conditions for investment that need to be met

Within 75 days from the date of Reservation, all projects with a Hard Equity Commitment must fulfill the requirements listed in Section XI of the 2011 Qualified Allocation Plan. Failure to fulfill these requirements will result in a loss of the tax credit allocation, loss of the 6% fee, and may result in negative points to the Applicant in future funding rounds. In the event credit is exhausted prior to being able to allocate credit to a project with a Hard Equity Commitment, the 6% fee described above will be refunded.

High Risk Development:

A development qualifying under one or more of the following criteria:

1. A debt service coverage ratio of less than 0.70 for the previous two years as identified in the certified audit and the property lacks reserves or cash on hand to pay debt.

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2. Owner advances or unpaid management fees exceed two months gross rent potential over the past 24 months and the property lacks reserves or operating cash to resolve payables. Owner advances and unpaid management fees must be identified in the certified audit or in monthly income and expense reports.
3. The project is currently under a workout agreement or mortgage modification due to an inability to pay debt. If a workout is not identified in the certified audit, the applicant must submit a copy of the workout agreement.
4. Notice of mortgage default, foreclosure proceedings, or real estate owned by the mortgage lender. Appropriate documentation must be submitted to substantiate this.

Homeless: See Addendum III

New Economy/Downtown:

In order to qualify as a New Economy/Downtown development, the development must be mixed-use, pedestrian friendly, limited to no more than 50 or fewer housing units (including a manager's unit) and be located in a traditional downtown or commercial center of densely built buildings.

A traditional downtown or commercial center is an area of where 20 or more contiguous buildings have been planned, zoned, or used for commercial purposes for 50 or more years and where a majority of the buildings are built zero feet back from the public right of way and are adjacent to one another. In order to be a traditional downtown or commercial area, the area must also contain a significant number of multi-level, mixed-use buildings. The buildings must be owned by three or more parties.

Mixed-use means buildings where the ground floor is used for retail or other commercial or office space and the upper floors have more than one purpose, such as housing, commercial or office space, or in any combination thereof.

Single Room Occupancy: See Addendum III

Special Needs Population: See Addendum III

Unrestricted Capital:

Reserve accounts and free cash flow (excluding tax and insurance escrows) in which the use of such funds is completely unrestricted or is specifically designated to address the replacement of items identified in the Capital Needs Assessment as having already exhausted their useful life as determined by the Authority.

*For purposes of scoring points under Preservation Section F.4 of the Scoring Summary, a project with an Unrestricted Capital balance below $1,000 per unit is considered to lack sufficient unrestricted capital.

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