

MICHIGAN HOUSING TRUST FUND ALLOCATION PLAN

The Housing Trust Fund (HTF) is a federal affordable housing production program that will complement existing state efforts to increase the supply of affordable housing for extremely low and very low income households, including homeless families and individuals and persons with special needs. Congress established the HTF through the Housing and Economic Recovery Act of 2008 (HERA).

As required in the establishment of the HTF, in years when total national funding is less than \$1 billion, 100% of each state's allocation must benefit extremely low income (ELI) households, which means households at or below 30% of area median income or households with income below federal poverty level (whichever is greater). Currently, significantly less than \$1 billion in HTF is available nationally. Therefore, it is likely that 100% of the program funding will be targeted toward ELI households for the foreseeable future.

FUNDING AVAILABILITY

MSHDA will hold a competitive funding round with a deadline for submission of June 1, 2018, to allocate \$7,536,325 in HTF funding, which is the total funding available from the 2016 and 2017 allocations, after accounting for any administrative funding that the agency is eligible to receive.

Given the requirements of the program and the need for rental housing affordable to ELI households in the state, MSHDA will use HTF program funds to provide affordable rental housing to ELI households. It is anticipated that most units financed under this program will be integrated into affordable housing properties serving family and/or elderly households, that are financed using MSHDA tax-exempt or taxable bond products, LIHTC, or federal historic tax credits. Based on the need to balance the limited available overall resources with the need to serve as many residents as possible, it is not anticipated that the HTF will be used in transactions that are also using the 9% LIHTC unless a unique project or circumstances warrant it, as determined in MSHDA's sole discretion.

GENERAL ELIGIBILITY & FUNDING CONSIDERATIONS

All developments will be required to meet the applicable requirements of MSHDA's Direct Lending Parameters, Site Selection Criteria, Design Review Standards, and any other applicable programmatic requirements. In the event there aren't enough applications submitted that meet the minimum program requirements, MSHDA reserves the right, in its sole discretion, not to use all of the funding being made available within the competitive funding round.

Eligible Developments

Any new construction, adaptive re-use, or rehabilitation of a multifamily rental housing development in Michigan, including existing affordable housing and small scale rental developments are eligible to apply.

Nursing homes, adult foster care homes, rooming houses, student housing, transient housing and single room occupancy developments are all considered ineligible.

Construction/Rehabilitation Standards

All projects must comply with MSHDA's Multifamily Standards of Design, including completion of a Capital Needs Assessment when applicable for rehabilitation projects. All developments must also comply with Uniform Federal Accessibility Standards and property standards shown at 24 CFR 92.251.

Eligible Costs

Typical costs of development, including costs related to property acquisition, site improvements, demolition, conversion, and operating reserves.

Form of Assistance

Assistance to projects will be made in the form of secondary, cash flow contingent loans to the project. All HTF loans will be made as subordinate loans, bearing simple interest at 1% annually, and will typically be made with a 50-year term.

Repayment

For HTF loans specifically, in lieu of payments being applied to the HTF loan, payments equal to 50% of surplus cash will instead be deposited into an HTF Subsidy Reserve and will be used to repay the HTF loan periodically (should the amount of funds accumulated in the reserve warrant it), at the end of the loan term, or otherwise used to assist the development if needed. There is no prohibition on prepayment of HTF.

Income Targeting

All HTF units in eligible projects must be targeted toward households with incomes at or below 30% of the Area Median Income (AMI).

HTF Program Units

The minimum number of HTF-designated units will be calculated using the amount of HTF funds necessary for project feasibility, as determined by MSHDA, divided by the federal per-unit HOME subsidy limit.

Affordability Period

Applicants must commit to keeping HTF units affordable, including all applicable income and rent restrictions, for a period of no less than 30 years from the point of project completion.

ELIGIBLE RECIPIENTS

Applicants for HTF funding must meet minimum qualifications and demonstrate the proficiency of the development team. In addition to meeting the requirements found in the Direct Lending Parameters, within their applications, eligible recipients must also:

- Certify to MSHDA that they will comply with all requirements of the program and that housing units assisted will comply with HTF requirements;
- Demonstrate their financial capacity to undertake, comply with, and manage the eligible activities, including compliance with the federal programmatic requirements, and the financial requirements and standards shown in MSHDA's Direct Lending Parameters.

SELECTION CRITERIA

Applications will be evaluated by a staff level review committee and will be reviewed and selected with equal consideration being given in each of the following areas:

- (1) Readiness to proceed, including the ability to expend funds in a timely manner and achieve required expenditure benchmarks, including the ability to proceed to commitment within six months and loan closing within one year.
- (2) Availability of project-based subsidy for extremely low income tenants, or similar mechanisms to ensure that deeply targeted HTF units are both feasible and affordable. For example, the leveraging of resources like project-based vouchers from local housing authorities or Section 811 Rental Assistance from MSHDA will be strongly considered, given the scarcity of MSHDA's other resources, and the needs for deeply targeted units required as a part of the HTF program.
- (3) Proximity to appropriate amenities, including compliance with MSHDA site selection criteria and state place-based priorities.
- (4) Capacity of the development team, including those requirements identified in MSHDA's Multifamily Direct Lending Parameters, as well as a review of the depth of experience by each member of the development team, and past success in developing and managing affordable multifamily housing projects with MSHDA.
- (5) Availability of Support Services. All supportive housing projects will be required to submit an acceptable Addendum III and all applicable exhibits, with all plans being reviewed by the Addendum III Committee. In addition, non-supportive housing populations that also include a Memorandum of Understanding (MOU) for the provision of on-site services from local health and human services providers will also be strongly considered.
- (6) Leveraging of non-federal sources (equity from federal tax credits will be considered federal for purposes of calculating leverage within this program).
- (7) Need for the funds to complete the development – including whether all other sources of subsidy have been sought, whether deferred developer fee and owner equity are being utilized, and an analysis of whether the transaction can proceed without HTF.
- (8) Inclusion of accessible and/or visitable units.
- (9) Alignment with nationally recognized sustainable development protocols such as USGBC's LEED platform, Home Innovations Lab National Green Building Standard, or Enterprise Community Partner's Green Communities Criteria.

Additional Considerations

MSHDA will give additional consideration to projects that create units for Veterans. A Veteran is defined as any member of the household that has served in Active Duty, Reserves or National Guard as established through a DD-214 or NGB 22. In the event that multiple projects with equal merit in consideration of MSHDA's evaluation criteria are submitted, then projects that create units for Veterans will be selected first.

Further, in an effort to produce the maximum amount of deeply targeted units in the broadest array of communities, given the scarcity of resources, projects otherwise having equal merit will be ranked according to the amount of leverage (as identified in Criteria 6 above) documented via a written commitment at the point of application.

UNDERWRITING AND SUBSIDY LIMITS

All applicants must comply with MSHDA underwriting criteria found in MSHDA's Direct Lending Parameters and adhere to the requirements of other applicable MSHDA programs.

Maximum Per-unit Development Subsidy

The maximum amount of subsidy per-unit for Housing Trust Funds will be the same as the HOME per-unit subsidy limits. Therefore, the current program limits to be considered are as follows:

| <u>1 Bedroom</u> | <u>2 Bedroom</u> | <u>3 Bedroom</u> | <u>4 Bedroom</u> |
|------------------|------------------|------------------|------------------|
| \$161,738 | \$196,673 | \$254,431 | \$279,286 |

APPLICATION SUBMISSION REQUIREMENTS

- LIHTC Program Application http://www.michigan.gov/mshda/0,4641,7-141-5587_5589-289060--,00.html
- Project narrative, including a description of the eligible activities to be conducted with the HTF funds and how the proposed development meets any of the above, applicable selection criteria.
- MSHDA Direct Lending Proforma (See Tab DD at the following link <http://www.michigan.gov/mshda/0,4641,7-141-5587-60010--,00.html>)
- HTF Exhibit Checklist http://www.michigan.gov/mshda/0,4641,7-141-5587_5589-289060--,00.html