

2014 Entry Form
(Complete one for each entry.)

Fill out the entry name *exactly* as you want it listed in the program.

Entry Name Rental Development Gap Financing NOFA
 HFA Michigan State Housing Development Authority
 Submission Contact Mary Lou Keenon
 Phone 517-373-0011 Email keenonm@michigan.gov

Qualified Entries must be received by **Tuesday, July 1, 2014.**

For more information about Qualified Entries, [click here to access the 2014 Entry Rules.](#)

Use this header on the upper right corner of each page.

HFA Michigan State Housing Development Authority
 Entry Name Rental Development Gap Financing NOFA

Communications	Homeownership	Rental Housing	Special Needs Housing
<input type="checkbox"/> Annual Report <input type="checkbox"/> Promotional Materials and Newsletters <input type="checkbox"/> Creative Media	<input type="checkbox"/> Empowering New Buyers <input type="checkbox"/> Home Improvement and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Multifamily Management <input checked="" type="checkbox"/> Preservation and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Combating Homelessness <input type="checkbox"/> Housing for Persons with Special Needs
Legislative Advocacy	Management Innovation	Special Achievement	Are you providing visual aids?
<input type="checkbox"/> State Advocacy <input type="checkbox"/> Federal Advocacy	<input type="checkbox"/> Financial <input type="checkbox"/> Human Resources <input type="checkbox"/> Operations <input type="checkbox"/> Technology	<input type="checkbox"/> Special Achievement	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

HFA: Michigan State Housing Development Authority
Category: Rental Housing
Subcategory: Preservation and Rehabilitation
Entry Name: Rental Development Gap Financing NOFA

Overview and Objective

A core function of the Michigan State Housing Development Authority (MSHDA) is to provide quality, safe and affordable rental housing for Michigan's residents. MSHDA's direct-lending activities generate a significant source of income that allows us to make a number of other critical non-income producing programs available to the citizens of our state who are most in need. Decreased investment in 4% Low Income Housing Tax Credits (LIHTC) over the past few years has somewhat curtailed our direct-lending production, deterring MSHDA's ability to provide funding for other mission-oriented programs.

In the past, MSHDA allowed applicants to apply for gap financing anytime on a first-come-first-served basis. With this kind of approach, we were severely limited in our ability to prioritize the best deals for the citizens of the state as well as the best deals that would be financially favorable to MSHDA in a time when every penny counts.

In an effort to improve this situation, we came up with an innovative program to make available a combined total of about \$18 million of MSHDA HOME and Preservation funds to our Rental Development division to be used exclusively as gap financing for the "4% LIHTC Direct Lending program." Under the program, both gap funding types will be made available to projects without regard to whether they are new construction, adaptive reuse, acquisition/rehabilitation or preservation transactions.

For purposes of allocating these limited resources, MSHDA determined that the best and highest use of the funds could be best exercised through issuing a Notice of Funding Availability (NOFA). MSHDA does reserve the right to fund any application submitted under this NOFA with either of the sources of funding being made available. It is anticipated that these funds will be committed and closed within nine to 12 months.

The most important component of the change we implemented was to ensure that all deals requesting gap financing must come in all at once or lose the opportunity to request gap funding later.

The Projected Timeline

- | | |
|----------------------|--|
| • September 25, 2013 | Release of NOFA |
| • December 2, 2013 | Preliminary Assessment package due |
| • February 3, 2014 | Applicants invited to submit Threshold package |
| • April 1, 2014 | Threshold Review package due |
| • May 1, 2014 | Threshold rankings released |
| • June 2, 2014 | Commitment Review package due |
| • July 1, 2014 | Commitment Awards of Gap-Funding announced |
| • Next Board Meeting | MSHDA board presentation/decision |
| • Within 90 Days | All awardees will have closed on all financing |

The timeline is set in stone and must be adhered to or the development application will be removed from consideration and another development being processed will be considered.

**Michigan State Housing Development Authority
Rental Development Gap Financing NOFA**

Financing Terms and the Allocation Process

All loans awarded will be made as subordinate loans and will bear simple interest at 3 percent annually and payments on the loan will be deferred until developer fees have been repaid, but no later than the end of the 12th year after the date of initial disbursement of the mortgage loan.

The allocation process has four stages:

- Preliminary Assessment
- Threshold Review
- Commitment
- Loan Closing

We are using this approach to ensure that MSHDA's staffing resources are used as cost efficiently as possible and to limit potentially unnecessary costs to the applicants.

Evaluation Criteria

All applications will be reviewed and ranked on the following criteria, but other elements of the project may be factored into the evaluation process as well:

- Ratio of gap financing to hard debt from MSHDA
- Level of per unit gap financing needed to complete the project
- Tax-Exempt bond financing supported by the project

In general, the highest consideration will be given to those projects with the lowest soft-to-hard debt ratio, then those needing the least amount of gap financing and/or those that can support the greatest amount of tax-exempt bond financing.

Summary

The Rental Development Gap Financing NOFA program is an innovative and replicable solution to a wide range of challenges facing all Housing Finance Agencies (HFAs). It will allow us to spread funds over more transactions than previously; it will allow MSHDA to fund non-revenue generating programs that serve our most vulnerable citizens and it demonstrates a creative use of resources to generate more dollars to the Authority's bottom line. Most importantly, it allows MSHDA to prioritize the best deals by requiring that all requests for gap financing be submitted at the same predetermined time.

The following attachments show the results of Rounds 1 and 2 of the Gap Financing NOFA and the Threshold rankings for the Round 3 NOFA released in September 2013. You will note that the less gap financing needed for each dollar of hard-debt financing, the better chance an applicant has to be selected.

Additionally, the process MSHDA went through to create this program included input from our developer partners and other stakeholders in the affordable housing industry all along the way. In the end, this program, designed to meet an important statewide affordable housing need, has clearly provided MSHDA's targeted customers with what they need as well – more safe, decent affordable housing.

Attachments

Round 1 Gap Financing NOFA

NOFA Pipeline - Threshold Assessment Rankings

Proposals / Location / Sponsors			Proforma Data			Gap Funding Sources				Ranking Factors		Units
Project Name	Location	Sponsor Contact	MSHDA Projected Permanent Tax Exempt Loan	Total Funds Needed	Existing Reserves	Preservation Funding from Existing Reserves Captured	Additional Preservation Funding Needed	HOME Funding	Reserves Transferred from Post 80	MSHDA Projected % of Gap Funding to Hard Debt	MSHDA Projected Per Unit Gap Funding	Total Units
			Maple Village	Adrian	Gleason Amboy	8,507,104	6,293,399	6,293,399	-	-	-	6,293,399
Capitol Senior	Lansing	Gleason Amboy	8,690,227	4,043,445	3,505,783	-	268,831	268,831	3,505,783	6.19%	2,688	200
Fox Fire	Jackson	Larry Tisdale	5,437,889	4,397,945	2,791,685	2,791,685	803,130	803,130	-	29.54%	10,039	160
Elimwood Park	Lansing	Gleason Amboy	4,799,730	5,738,719	3,612,177	3,612,177	1,063,271	1,063,271	-	44.31%	13,632	156
Meadowcrest	Southfield	Anne Danosky	4,043,037	1,679,353	507,364	507,364	585,995	585,995	-	28.99%	14,120	83
Stadium Drive	Kalamazoo	Gleason Amboy	9,054,757	4,233,203	1,766,490	-	1,233,357	1,233,357	1,766,490	27.24%	14,771	167
Summer Haven	Kentwood	Robert Kabbe	3,250,168	2,244,686	369,243	369,243	937,722	937,722	-	57.70%	18,569	101
St. George Tower	Clinton Township	Frank Sinito	7,945,785	4,612,686	515,276	-	2,048,705	2,048,705	515,276	51.57%	20,085	204
Serenity Place	Grand Ledge	Gleason Amboy	4,142,608	2,175,794	159,620	-	1,008,087	1,008,087	159,620	48.67%	20,162	100
Riverfront	Lansing	Gleason Amboy	11,210,338	6,945,060	1,131,133	1,131,133	2,906,964	2,906,964	-	51.86%	20,913	278
Cadillac Shores	Cadillac	Gleason Amboy	4,115,740	3,716,577	503,755	-	1,606,411	1,606,411	503,755	78.06%	29,207	110
Ridgecrest Village	Flint	Jerry Krueger	3,118,059	5,922,891	726,426	726,426	2,598,233	2,598,233	-	166.66%	31,880	163
Vineyard Place	Dowagiac	Gleason Amboy	4,290,111	4,768,810	87,616	87,616	2,340,597	2,340,597	-	109.12%	39,010	120
Mill Pond	Brighton	Amin Irving	1,795,472	3,156,434	-	-	1,578,217	1,578,217	-	175.80%	54,421	58
			80,401,025	59,929,002	21,969,967	9,225,644	18,979,518	18,979,518	12,744,323			2,101

The shaded area is made up of those proposals ranked the highest, and whose aggregate total gap funding does not exceed the amount of \$18 million in gap funding available, and are being invited to the Commitment Phase.

Round 2 Gap Financing NOFA



M E M O R A N D U M

TO: All Interested Parties of MSHDA's Gap Financing Program
FROM: John A. Hundt, Housing Development Manager
DATE: July 5, 2013
RE: Gap Financing Program - Threshold Assessment Rankings

The attached spreadsheet represents the threshold phase rankings of proposals remaining in the Gap Financing Program. Each proposal was ranked based on the combination of the evaluation criteria identified within the Gap Financing Program. The criteria included the percentage of gap funding to hard debt, the amount of gap funding per unit and the projected permanent Tax-Exempt loan. The aggregate gap funding needs of the top four shaded proposals make up nearly \$17.5 million of the \$18 million made available. Therefore, only those four transactions are being invited to the Commitment Phase of the lending process.

Twelve transactions originally submitted applications under this funding round, but only six proposals submitted packages during the Threshold Phase. The sponsors of the other six proposals withdrew their application for one reason or another. Final ranking will occur during the Commitment Phase.

If you have any questions please contact John Hundt at (517) 241-7207.

Attachment

March 2013 - NOFA Funding Round - Threshold Assessment Rankings

Proposals / Location / Sponsors			Proforma Data				Gap Funding Sources		Ranking Factors			Units
Project Name	Location	Sponsor Contact	Projected Permanent Tax Exempt Loan	Projected Tax Exempt Construction Loan	Total Funds Needed	Existing Reserves	Additional Preservation Funding Needed	HOME Funding	MSHDA Projected % of Gap Funding to Hard Debt	MSHDA Projected Per Unit Gap Funding	Projected Permanent Tax Exempt Loan	Total Units
			Cedarshores	Mount Morris Twp	Rod Lockwood	4,500,081	6,037,025	3,384,272	0	1,692,136	1,692,136	75.20%
Centre Street Apts	Portage	Rod Lockwood	3,193,201	3,509,044	2,514,964	24,898	1,245,033	1,245,033	77.98%	38,309	3,193,201	65
Village of Appledorn II	Holland	Shirley Woodruff	6,976,576	8,405,787	6,649,568	0	3,324,784	3,324,784	95.31%	71,501	6,976,576	93
Vineyard Place	Dowagiac	Gleason Amboy	4,990,162	6,900,000	4,990,162	87,619	2,451,272	2,451,272	98.24%	40,855	4,990,162	120
Stonebrook I & II	Grand Rapids	Amin Irving	6,762,522	9,100,000	6,762,654	-	3,381,327	3,381,327	100.00%	45,084	6,762,522	150
Village Manor	Sturgis	Gleason Amboy	3,705,338	7,375,000	6,443,666	635,559	2,904,054	2,904,054	156.75%	47,607	3,705,338	122
			30,127,880	41,326,856	30,745,286	748,076	14,998,605	14,998,605			30,127,880	694

17,426,449

Round 3 Gap Financing NOFA



MEMORANDUM

May 1, 2014

TO: All Interested Parties of MSHDA's Gap Financing Program

FROM: John A. Hundt, Housing Development Manager

SUBJECT: Gap Financing Program – Threshold Assessment Rankings

Threshold Assessment Rankings: The attached spreadsheet represents the threshold phase rankings of proposals remaining in the Gap Financing Program. Each proposal was ranked based on the combination of the evaluation criteria identified within the Gap Financing Program. The criteria included the percentage of gap funding to hard debt, the amount of gap funding per unit and the projected permanent Tax-Exempt loan. The aggregate gap funding needs of the top five shaded proposals make up just over \$16 million of the \$18 million made available. The next proposal's need exceeds the remaining \$2 million. Therefore, only those four transactions are being invited to the Commitment Phase of the lending process.

Fifteen transactions originally submitted applications under this funding round, but only seven proposals submitted packages during the Threshold Phase. The sponsors of the other eight proposals withdrew their application for one reason or another. Final ranking will occur during the Commitment Phase.

If you have any questions please contact John Hundt at (517) 241-7207.

Attachment

Round 3 NOFA Pipeline - Threshold Assessment Rankings

Proposals / Location / Sponsors			Proforma Data				Ranking Factors		Units	
Project Name	Location	Sponsor Contact	Projected Tax		Total Gap Funds Projected	Existing Reserves	Overall Gap to Hard Debt Ratio	Net Gap		Total Units
			Projected Permanent Tax Exempt Loan	Exempt Construction Loan				Funding to Hard Debt Ratio	Projected Per Unit Gap Funding	
Columbia Court	Belleville	National Church Residences	5,210,025	7,743,534	1,854,990		35.60%	35.60%	17,176	108
Wade H McCree Estates *	Ecorse	Amin Irving / Ginosko	10,166,704	12,664,945	4,000,000	-	39.34%	39.34%	20,000	200
Falcon Woods Apartments	Holland	Wallick-Hendy Development	5,498,785	7,856,358	2,665,760	-	48.48%	48.48%	18,512	144
Bay Hill I & II	Grand Traverse	Hollander Development	9,385,522	12,392,605	5,600,000	-	59.67%	57.41%	25,225	222
Lincolnshire Townhomes	Albion	Access Group LLC	3,051,413	4,011,638	1,923,812	-	63.05%	63.05%	23,751	81
Stonebrook Townhomes I & II	Grand Rapids	Amin Irving	7,057,449	8,947,391	5,381,782	26,220	76.26%	75.89%	35,704	150
Water Street Flats	Ypsilanti	Herman & Kittle Properties	3,979,771	6,119,234	3,777,926	-	94.93%	94.93%	47,224	80

Overall Totals =

44,349,669 **59,735,705** **25,204,270** **26,220**

985

Shaded Area Totals =

33,312,449 **44,669,080** **16,044,562** **0**

755

* Eligible for only \$4 million in Gap Funding