



HOUSE FINANCIAL SERVICES COMMITTEE



Wednesday, March 17, 2021

2020 ACCOMPLISHMENTS

Topline Numbers FY 2020

- MSHDA financed \$607.2 million in new/renovated housing.
- MSHDA created/preserved 5,508 units.

Program Specific Details

- Created/preserved 1,959 units of affordable housing using \$30,424,654 in 9% **Low-Income Housing Tax Credit (LIHTC)**.
- **Rental Development** – \$107.8 million in financing; 1099 rental units financed.
- **Homeownership** – \$499.1 million financed; 4,391 single family homes financed.
- **Grants to prevent Homelessness** – \$11.5 million granted to 120 different local entities.
- **Grants to Housing Nonprofits** – \$3.1 million in grants to 55 different communities

OVERVIEW

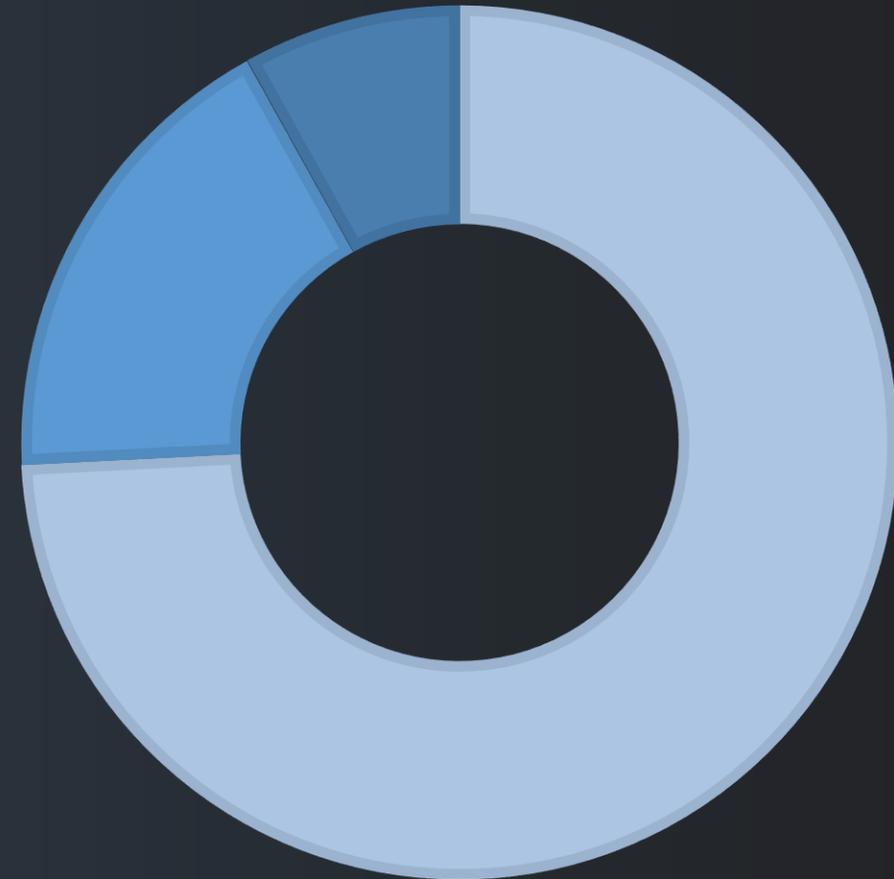
Federal - \$166,860,000

This is our Housing Choice Voucher appropriation

MSHDA/State restricted – \$53,890,700

General fund – \$10,000,000

This is for the new allocation to Housing and Community Development Fund.



■ Federal ■ MSHDA/State ■ General Fund

HOUSING COMMUNITY DEVELOPMENT FUND (HCDF)

- Roughly half of the state's renters, and a quarter of the state's homeowners, pay more than 30% of their incomes on shelter costs. This was true before the COVID-19 pandemic, and conditions are worse now.
- **The Housing Community Development Fund** will allow for creative financing of often neglected segments of the housing industry.
- 47 states have a housing trust fund like the **Michigan Housing and Community Development Fund**.





MSHDA RENTAL DEVELOPEMENT OVERVIEW

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- MSHDA's Rental Development division administers programs that promote the production of affordable rental housing.
- Affordable housing generally means 60% Area Median Income (AMI) and below, but can go up to 80% AMI in certain circumstances.
- Each program requires a minimum percentage of affordable units and certain programs incentivize more affordability.
- There are three main programs/paths that a project can pursue:
 - 9% **Low-Income Housing Tax Credit** (LIHTC) Program
 - Direct Lending Program
 - Pass-Through Program
- The path that makes the most sense to pursue depends on the characteristics of the project.

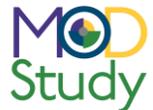


MSHDA RENTAL DEVELOPEMENT PROGRAMS

MSHDA RENTAL DEVELOPMENT PROGRAMS

9% Low-Income Housing Tax Credit (LIHTC) Program

- Approximately \$250 million of annual funding.
- Very competitive application process for funding.
 - Applications are scored based on a Scoring Criteria and the higher scoring projects receive funding.
 - Some scoring metrics are Proximity to Transportation, Proximity to Amenities, Developments Near Downtowns/Corridors, Developments Near an Employment Center, Proximity to Investment Activity Areas, etc.
- The Project Team consists of a Developer, a **LIHTC** Investor, a General Contractor, Architect, Attorney, Management Company, etc.
- Public-Private Partnership.
- Must be a minimum number of affordable units in the development to qualify for funding.
- Generally, larger developments (20 units or more) have characteristics that work well with this program.
 - These developments can be new construction, acquisition/rehabilitation, adaptive-reuse, etc.
- The program operates throughout the entire state.



MSHDA RENTAL DEVELOPMENT PROGRAMS

Direct Lending Program

- This is MSHDA's primary lending program.
- Projects receive a Tax-Exempt Bond or Taxable Bond loan from MSHDA, typically coupled with 4% **LIHTC** and a Gap Financing source.
- Projects needing gap financing must apply under a Gap Financing NOFA and compete with other projects for gap funding.
- Generally, larger developments (20 units or more) have characteristics that work well with this program.
 - These developments can be new construction, acquisition/rehabilitation, adaptive-reuse, etc.



HOMEOWNERSHIP



HOMEOWNERSHIP'S ROLE IN AFFORDABLE HOUSING

- Provide affordable mortgages (Low costs, great rate) Reduced Mortgage Insurance on conventional loans.
- Offer down payment assistance loans, \$7,500 minimum and up to \$10,000 in 236 Michigan zip codes.
- Offer Federal Tax Credits to stimulate homebuying.
- Targeted areas offer a waiver of the first-time homebuyer requirement to previous homeowners, making MSHDA loans available to more Michigan homebuyers.

LOAN TYPES

Conventional With Reduced MI
(with or without Down Payment Assistance DPA)

FHA (with or without DPA)

RD (with or without DPA)

VA



MSHDA'S MI DPA LOAN

- \$7,500 maximum down payment assistance
- Appraised value must support sales price
- Down payment, closing costs, prepaid/escrow items (no cash back)
- 0% interest with no monthly payments
- Use with MSHDA/FHA, MSHDA/RD and MSHDA/Conventional
- Borrower cash investment 1% of sales price (may come from approved gift source)

MSHDA'S MI DPA LOAN

- Cash asset restriction - \$20,000 (includes equity in current home).
- A Homebuyer Education Certificate of Completion is required for all borrowers in the household.
- MSHDA's **MI DPA Loan** is due on sale, transfer, refinance, or repayment of first MSHDA mortgage.



MSHDA'S MI DPA LOAN

- Federal income tax credit.
- Tax credit is based on the annual mortgage interest paid times the 20% credit issued by MSHDA.
- **Available for life of original mortgage** (as long as the home is primary residence).
- Single family, owner occupied principal residences.
- How to take advantage of MSHDA mortgages.
 - MSHDA's [Housing Education Agency & Experienced Loan Officer Locator](#)

MSHDA'S MI 10K DPA LOAN

What is the MI 10K DPA Loan?

- The MI 10K DPA Loan is provided in the form of a second mortgage for a maximum amount of \$10,000 toward payment of the required down payment, closing costs, and prepaids/escrows. Any excess DPA funds can be used to buy down the first lien.

What are the qualifying zip codes?

- To find a complete list of the 236 qualifying zip codes, visit the MSHDA website at Michigan.gov/homeownership.

Which properties are eligible?

- New or existing single-family homes.
- Condominiums (attached or detached) agency approved.
- New or existing multiple-section manufactured homes on foundations permanently affixed to real estate. Must meet loan type guidelines.





RENTAL ASSISTANCE & HOMELESS SOLUTIONS



HOUSING CHOICE VOUCHERS

MSHDA's Housing Choice Voucher program assists over 28,000 households

- New vouchers coming from the American Rescue Plan to house homeless households.



EMERGENCY SOLUTIONS GRANTS (ESG)

- **Emergency Solutions Grant** funds provide resources to assist people experiencing homelessness.
- Traditionally MSHDA receives approximately \$10 million in funding each year.
- MSHDA anticipates receiving an additional \$40 million in CARES Act funds to use until **September 30, 2022**

EVICTION DIVERSION PROGRAM (EDP) & COVID EMERGENCY RENTAL ASSISTANCE (CERA)

- **EDP** utilized \$62 million in federal relief funds serving over 15,000 households
- \$622 million in **COVID Emergency Rental Assistance (CERA)** funds
 - Up to 12 months of rental and utility assistance based on family size
- Estimates indicate approximately 50-55,000 households will be served
- 65% of funds (\$405 M) must be spent/obligated by September 30, 2021
 - Must spend over \$60 million per month
- **All funds to be spent by September 30, 2022**





QUESTIONS?

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