Approval & Draw Processes for Multi-family NSP2 Projects
Overview

- MSHDA Review Process (Predevelopment Phase)
  - Underwriting Assistance
  - Income/Rent Limits
  - Escrow Closing
  - Due Diligence Review Package & Disbursement
- Post-Closing (Construction Phase & Beyond)
  - Pre-purchased Materials
  - Inspections
  - Draws
  - Ongoing Concerns
- Resources
MSHDA Review Process

UNDERWRITING ASSISTANCE
INCOME/RENT LIMITS
ESCROW CLOSING
DUE DILIGENCE REVIEW PACKAGE
DISBURSEMENT
Underwriting Assistance

- Underwriting assistance is available per request
- Provide MSHDA with documents:
  - Project Summary/Narrative, Site information
  - Development Team information
  - Environmental
  - Development Proforma, Operating Budget and budget comps
  - Trade Payment Breakdown (MSHDA form)
  - Confirmation of other financing – if applicable (commercial lender, etc.)
  - Schedule of construction/disbursements
- MSHDA prepares a short-form Staff Report
Income & Rents

Income Limits

- NSP2 restricts income for tenants income at 120% of Area Median Income (AMI).
- Low-Income Set Aside (LISA) units are restricted at 50% of AMI

Determining Rents

- Rents should be based on subsidy levels (if any), marketability and long-term viability
Rent Limits

- If it’s a LIHTC of Tax-Exempt unit, the applicable tax credit rent at either 50% (LISA units) or 60% (all others) will apply
- If it’s an 80%-120% AMI restricted unit, a 100% AMI rent WITHOUT any utility allowance will apply
- All others: 30% of 65% of adjusted calculated High HOME rent will apply
- If they are mixing NSP in a deal with local direct NSP the local government’s definition of “affordable rents” from their substantial amendment
Escrow Closing

- NSP2 loan documents executed
- MSHDA NSP2 addendum attached to covenant running with the land
- Assignment of mortgage executed by CM
- CM forwards to MSHDA documents to complete the Due Diligence Review Package
Due Diligence Review Package

- Copy of Funding Agreement between CM & MSHDA
- NSP2 Multifamily Certification
- NSP2 Loan Documents
  - Developer Agreement/Commitment
  - Note
  - Mortgage
  - Assignment of Mortgage
  - Covenant running with the land including MSHDA addendum
  - Anti-lobbying certification
- MSHDA Grant/Staff Report
- Developer/Owner identity Org Docs
Due Diligence Review Package Cont’

- **Title, Survey, and Zoning**
  - Marked-up commitment showing CM as proposed insured, and title in the name of the developer/owner
  - ALTA Boundary Survey using 2005 or 2011 Minimum Standard Detail Requirements
  - Municipal Zoning Letter

- **MSHDA Sign-Offs**
  - Environmental clearance
  - Section 3 compliance
  - Legal clearance
  - Affirmative Fair Housing Marketing Plan
Disbursement

- MSHDA attorney will review the Due Diligence Review Package
- Disbursement of funds is authorized after the package is approved
- Commence Construction
Post-Closing Construction Phase & Beyond

PRE- PURCHASED MATERIALS

CONSTRUCTION INSPECTIONS

DRAWS PROCESS

ONGOING CONCERNS
Pre-Purchased Materials

- Reimbursement for pre-purchased materials is allowed after MSHDA approval if conditions are met with prior documentation (see MSHDA’s policy)
  - Commencement within 60 days
  - Provide 100% performance bond
  - Supplier documents
  - List of stored materials, invoices, and address of storage
  - Must be covered by property insurance
  - May not be subject to lien by supplier
  - Tracking system
Inspections

- Prior to closing provide MSHDA with:
  - Date of Preconstruction Meeting
  - Construction schedule
- Inspections will be performed by MSHDA staff periodically
  - Following Commencement
  - Every 1 to 2 months thereafter, or as necessary
  - Completion
**Draws**

- Draws will be done through OPAL
  - Single FSR for MF projects if possible
- Projects receiving other funding from MSHDA will be handled on an individual basis
- MSHDA will review draws in conjunction with inspection reports
Ongoing Concerns

- MSHDA will be involved in ensuring ongoing compliance
- Annual Reporting
  - Tenant information
  - Rents
- Inspections
Resources

MSHDA FORMS & SAMPLE DOCUMENTS

MSHDA PRE-PURCHASE POLICY

HUD HOME RENT LIMITS

HUD MULTI-FAMILY RENTAL TOOLKIT
Points of Contact

- Pre-closing – Housing Development Officer
- Post-closing – Closing Specialist
  - Kelly Vickers
  - Closing Specialist, Multi-Family Division
  - Phone- 517-335-1140
  - Fax- 517-335-6565
  - Email- vickersk@michigan.gov
Questions?