ADDENDUM

V

MODIFIED PASS THROUGH

Program Statement updated 07/30/2008
Please use the checklist applicable to the program for which you are applying:

- Addendum I   - LIHTC Program
- Addendum III a  - Supportive Housing
- Addendum IV   - Multi-Family Housing Direct Lending
- Addendum V   - Modified Pass Through Program
- Addendum VI   - Permanent Supportive Housing

The following items **MUST** be submitted if applicable to the project and/or for points to be given to the project. To indicate each exhibit submitted, place a check mark in the box provided and return a copy of this checklist with your application. Each submitted exhibit must be tabbed with the appropriate corresponding number from the checklist. **APPLICANTS APPLYING FOR MORE THAN ONE TYPE OF FINANCING MUST INCLUDE ALL APPLICABLE CHECKLISTS' EXHIBITS. DUPLICATION OF EXHIBITS IS NOT NECESSARY.**

<table>
<thead>
<tr>
<th></th>
<th>LIHTC / Supportive Housing / Modified Pass-through Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A narrative description of the project which includes the type of project; location; type of financing; tenants served, bedroom mix; local, federal or state subsidies; and other relevant information. Also include a map of the project site and surrounding area. <strong>See Threshold Requirement #15 in QAP</strong></td>
</tr>
<tr>
<td>2</td>
<td>Land Control - Documentation, signed by all applicable parties, in the form of warranty deed, exclusive option to purchase, land contract, etc., which evidences ability to maintain site control for 120 days from the application due date, with extensions available. <strong>See Threshold Requirement #4 in QAP</strong></td>
</tr>
<tr>
<td>3</td>
<td>Zoning – Original documentation from the appropriate local official on official letterhead, identifying the address of the project, the property's current zoning designation and an explanation of whether or not the project is permitted under the zoning ordinance. For rehabilitation projects a letter from the municipality stating that the zoning is compatible with the proposed use of the buildings is required. If the project is not currently properly zoned, what, if any, steps are in process to obtain proper zoning for the proposed development. The documentation must include a timetable for rezoning. <strong>See Threshold Requirement #5 in QAP</strong></td>
</tr>
<tr>
<td>4</td>
<td>Site Utility Availability – Original documentation from the municipality and/or local utility companies on their letterhead regarding utility availability and adequacy to serve the site, including whether such is currently available or will be available. <strong>See Threshold Requirement #7 in QAP</strong></td>
</tr>
<tr>
<td>5</td>
<td>Market Data  - See Tab C for specific guidelines. <strong>See Threshold Requirement #9 in QAP</strong></td>
</tr>
<tr>
<td>6</td>
<td>Environmental Assessment - Level 1 Environmental Assessment or, if necessary, a Level II with a remediation plan. Dated within six months of application due date. See Tab D for specific requirements. <strong>See Threshold Requirement #6 in QAP.</strong></td>
</tr>
<tr>
<td>7</td>
<td>Lease/Purchase: See LIHTC Policy Bulletin in Tab W. <strong>Also see Scoring Summary – Selection Criteria – Section C, #5</strong></td>
</tr>
</tbody>
</table>
## EXHIBIT CHECKLIST

Addendum I / Addendum III / Addendum V:

<table>
<thead>
<tr>
<th>√</th>
<th>LIHTC / Supportive Housing / Modified Pass-through Program</th>
</tr>
</thead>
</table>
| 8 | **Title Insurance Commitment** - dated within 6 months of the application due date, which sets forth all encumbrances on the property, together with copies of such encumbrances. For scattered sites, include a list of all properties and their addresses. For projects located on federally recognized American Indian Reservations, an attorney’s opinion letter regarding the chain of title and land control may be accepted in lieu of the title insurance commitment. Make sure that the owner of record and the party to be insured along with the legal description(s) of the property identified in the commitment properly match up with the land control documents and that the title insurance agent signs the commitment. *See Threshold Requirement #13 in QAP*

---

**FOR EXHIBITS 9A THROUGH 9F, DUPLICATION OF INFORMATION IS NOT NECESSARY**

| 9a | **Construction Financing** - Evidence of application to construction lender showing that application is under serious consideration.  
FOR BONUS POINTS, FIRM COMMITMENT MUST BE DATED WITHIN 30 DAYS OF APPLICATION DUE DATE. *See Threshold Requirement #8 in QAP*

---

| 9b | **Permanent Financing** - Evidence of submission of application to mortgage lender:
- RHS project - An original letter signed by an official of RHS for Tax Credits.
- Conventional financing - documentation from the lender(s) stating that a formal application for permanent financing has been submitted and is under serious consideration.
- MSHDA financed project - evidence that the project has passed initial determination.
All documentation must include mortgage amount, interest rate, term of loan, and the terms of any loan guarantee (if applicable).  
FOR BONUS POINTS, FIRM COMMITMENT MUST BE DATED WITHIN 30 DAYS OF APPLICATION DUE DATE. *See Threshold Requirement #8 in QAP*

---

| 9c | **Confirmation of Secondary Financing** - if applicable. Proposals which rely on some form of secondary financing to achieve feasibility must be accompanied by a detailed explanation and a confirmation from the source of that secondary financing that the additional funds have been applied for and are (or are expected to be) available.  
FOR BONUS POINTS, FIRM COMMITMENT MUST BE DATED WITHIN 30 DAYS OF APPLICATION DUE DATE. *See Threshold Requirement #8 in QAP. Also see Scoring Summary – Selection Criteria – Section B #2*

---

| 9d | **Federal, State or Local Government Financing** -
- Original letter from local municipality stating that application has been submitted and amount of request, terms and interest rate.
- If applying for tax credit points for using federal, state, or local financing, the letter must state the amount of the financing, the terms, the interest rate, the terms of any loan guarantee (if applicable), and that the financing has been approved. Points will be awarded only for long-term, permanent financing. To obtain points for CIP or AHP financing, a commitment letter from the FHLB must be submitted.  
FOR BONUS POINTS, FIRM COMMITMENT MUST BE DATED WITHIN 30 DAYS OF APPLICATION DUE DATE. *See Threshold Requirement #8 in QAP. Also see Scoring Summary – Selection Criteria – Section B #2*

---

| 9e | **Grants/Other Subsidies** – Original letter from proposed grantor stating that application has been submitted and amount of request. If applying for points, the letter must state the amount of the grant/subsidy and that it has been approved.  
FOR BONUS POINTS, FIRM COMMITMENT MUST BE DATED WITHIN 30 DAYS OF APPLICATION DUE DATE.
### EXHIBIT CHECKLIST

Addendum I / Addendum III / Addendum V:

<table>
<thead>
<tr>
<th>#</th>
<th>LIHTC / Supportive Housing / Modified Pass-through Program</th>
</tr>
</thead>
</table>
| 9f | **Existing Project Financing** (for acquisition/rehab projects only, including Preservation) –  
- Copy of existing mortgage(s), if assumption.  
- For acquisition/rehabilitation projects of existing low income units financed by HUD, RHS, or MSHDA, signed written evidence from the appropriate agency that the **transfer of physical assets** has been submitted to the financing agency **must** accompany the tax credit application.  
   *See Threshold Requirement #16 in QAP* |
| 9g | **Syndication** – A non-binding letter of interest for LIHTC from an equity investor stating the amount of credit including the price per dollar of credit and the general terms and conditions of investment in the event the equity investor will commit to the project.  
   *See Threshold Requirement #18 in QAP* |
| 10 | **Green Communities/New Urbanism Checklist** – Evidence of the incorporation of Green Community/New Urbanism elements in the project as set forth in the Green Community/New Urbanism. Completion of the checklist and certification is required to obtain bonus points. See Tab M for Requirements and Checklist.  
   *See Threshold Requirement #19 in QAP* |
| 11a | **Owner Experience** - MUST COMPLETE OWNER/GENERAL PARTNER EXPERIENCE FORM PROVIDED IN THE PRIMARY APPLICATION. Do not send Previous Participation Certification, FmHA 1944-37, or HUD 2530. If applying for Michigan-based business points (Scoring Summary, Section D(1)), a certified copy (dated within 30 days) of the Articles of Organization and a Current Certificate of Good Standing (dated within 30 days) must also be submitted. |
| 11b | **Management Entity Experience** - MUST COMPLETE MANAGEMENT EXPERIENCE FORM PROVIDED IN THE PRIMARY APPLICATION. Previous Participation Certification, FmHA 1944-37, or HUD 2530 will not be considered for management experience points. If applying for Michigan-based business points (Scoring Summary, Section D(2)), a certified copy (dated within 30 days) of the Articles of Organization and a Current Certificate of Good Standing (dated within 30 days) must also be submitted. |
| 12 | **Affirmative Fair Housing Marketing Plan** - See Tab P for AFHMP guidelines.  
   *See Threshold Requirement #3 in QAP* |
| 13 | **Nonprofit Documentation** - A through J are **ALL** required if applying under the tax-credit nonprofit set-aside and/or for nonprofit points.  
a) Documentation of Federal 501(c)(3) or (4) status from the IRS  
b) A certified copy of the Articles of Incorporation dated within 30 days of application due date  
c) Copy of by-laws  
d) List of the board of directors which includes the address and tenure of each board member  
e) An executed agreement between the sponsor and the non-profit if the project is a joint venture.  
f) Description of the nonprofits previous experience in housing. Must complete Nonprofit Experience form provided in the Primary Application.  
g) Current Certificate of Good Standing dated within 30 days of application due date  
h) Map outlining service area of nonprofit, including specific location(s) and name(s) of affiliated or proposed developments  
i) Narrative describing the nonprofit’s involvement in the local community  
j) Proof of CHDO approval (if applicable)  
k) Documentation indicating that the nonprofit has the financial capacity to undertake the development of the project – Financials completed in accordance with applicable Policy Bulletin must be submitted for the nonprofit entity.  
   *NOTE:* Must be more than 50% nonprofit, general partnership ownership (If applying for points)  
   *See Threshold Requirement #14 in QAP AND Scoring Summary – Selection Criteria – Section D #5* |
<table>
<thead>
<tr>
<th>#</th>
<th>LIHTC / Supportive Housing / Modified Pass-through Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td><strong>Ownership Entity Formation</strong> - Certified copy (dated within 30 days of application due date) of the certificate of limited partnership and any amendments on file with the Department of Labor &amp; Economic Growth, Bureau of Commercial Services. Out-of-state entities must submit a copy of an endorsed application for certificate of authority to transact business or conduct affairs in Michigan, along with the supporting documentation submitted with the application. The ownership entity must be formed prior to issuance of a tax credit reservation.</td>
</tr>
<tr>
<td>15</td>
<td><strong>Tax Abatement</strong> - Proof of tax abatement. Certified Copy. See Scoring Summary - Selection Criteria - Section B, Project Financing, for specific filing requirements.</td>
</tr>
<tr>
<td>16</td>
<td><strong>Site Plan Approval</strong> - A letter signed by the appropriate official of the municipality on its letterhead which identifies the project’s name and address and states that final site plan approval has been granted; or, if site plan approval has been granted with contingencies, a Statement in the letter stating that the contingencies do not have to be approved by the municipal planning body, but may be approved at a staff level. Failure to provide a letter which clearly addresses final site plan approval and how contingencies are handled may result in the loss of points for this category. (For rehabilitation projects, a letter from the municipality indicating that the relevant board or commission of the municipality has reviewed the proposal, including the level of rehabilitation work to be completed, the site, and that no further plan approvals are necessary.)</td>
</tr>
<tr>
<td>17</td>
<td><strong>Proof of Local Taxation Rate (if no tax abatement)</strong> - For acquisition/rehabilitation, including Preservation, a tax bill will meet requirement.</td>
</tr>
<tr>
<td>18a</td>
<td><strong>Locality / Neighborhood</strong> - Letter on official letterhead and signed by an official of the local municipality which verifies that the property is in a Cool Cities Neighborhood or a Renaissance Zone.</td>
</tr>
<tr>
<td>18b</td>
<td><strong>LIHTC Location Points Report (MANDATORY)</strong> – Print and include the point report generated using the LIHTC Point Score System. The link can be found on the Combined Application for Rental Housing Programs page of MSHDA’s Web Site. Go to <a href="http://www.michigan.gov/mssha">www.michigan.gov/mssha</a> and click on Developers and Contractors, then Low Income Housing Tax Credit. The link for the Combined Application page is in the middle of the main LIHTC page under Allocation Process and Forms. From the Combined App page, scroll past the bulleted list of programs until you find the link that says 2008 LIHTC Point Scores. Click on the County map to start the process and follow all directions.</td>
</tr>
<tr>
<td>19</td>
<td><strong>Special Needs</strong> – If applying under the Permanent Supportive Housing Set-Aside, submit the Addendum III application package and its required threshold and scoring documents.</td>
</tr>
</tbody>
</table>
| 20 | **Community Revitalization Plan (if applicable)** – Original documentation from the appropriate local official, on official letterhead, identifying the address of the property, stating that the property is located in an area for which a community revitalization plan is in place, and demonstrating that the proposed housing project contributes to the plan. In addition, the following items may need to be submitted if applying for the additional points outlined in Section A(3) of the Scoring Summary:  
  a. For projects meeting the definition of New Economy/Downtown – Color photos of the property demonstrating that the development is pedestrian friendly, and a map showing that the project is located in a traditional downtown or commercial center of densely built buildings. The map must clearly indicate the location of the proposed project.  
  b. For projects that are part of a targeted housing initiative – Documentation from the appropriate local, state, or federal government agency indicating that the project is part of the initiative, how the project contributes to the initiative, and the terms of any funding that was given to the project as part of the initiative. |
<table>
<thead>
<tr>
<th>✓</th>
<th>#</th>
<th>LIHTC / Supportive Housing / Modified Pass-through Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21</td>
<td>Trade Payment Breakdown – For acquisition/rehabilitation projects only, including Preservation.</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>U.S. Department of Treasury Waiver (if applicable for tax-credit acquisition only) – See Addendum I Page I-16, #19</td>
</tr>
<tr>
<td></td>
<td>23</td>
<td>Projects Serving the Elderly - Must submit a drawing of building in which community space is located to receive points. The total square footage of the community space must be indicated in the drawing. The drawing must be small enough to fit in a binder, but can be a fold-out. To receive the points, it must also clearly indicate the location and size of the community room. See Scoring Summary - Selection Criteria - Section C #1</td>
</tr>
</tbody>
</table>
|   | 24 | Preservation Projects – In addition to applicable exhibits 1 - 32, the following must be submitted:
   a. A copy of the project's latest financial audit.
   b. A third party Capital Needs Assessment identifying and substantiating the scope of rehabilitation and estimated costs. In the event the extent of rehabilitation of the proposed project requires the preparation of architectural plans and specifications, a copy of the cover sheet of such plans signed by the Applicant's Architect, a trade payment breakdown prepared by the General Contractor, along with a certification from the Applicant's architect stating the necessity to prepare plans and specifications instead of a CNA will be permitted.
   c. An income and expense analysis that must include a provision for Replacement Reserve funding that is acceptable to the lender and equity partner, and is not less than the amount stipulated for the Low Income Housing Tax Credit Program. (See Tab O)
   d. Documentation demonstrating a less than 10% increase in gross rent over previous levels following rehabilitation. (If applicable for points)
   e. Documentation demonstrating the preservation of existing project-based subsidies. This documentation should include the length of time that the subsidies will be in place for, and the number of units receiving project-based tenant subsidies.
   f. Documentation demonstrating that the project will preserve existing project-based tenant subsidies for 5 years beyond the LIHTC compliance period. (If applicable for points)
   g. Project rent roll (If applicable for points)
   h. Documentation from a local unit of government demonstrating a commitment of funds of at least $5,000 per unit. (If applicable for points)
   i. Letter from the applicable Public Housing Commission, which at a minimum includes the following: Indication that the Applicant has been designated as the developer for the project site, confirmation that the proposed project is the replacement or redevelopment of public housing units, the number of units that will be designated as public housing units, the amount and type of funds that will be made available for the redevelopment of the property, and what, if any, operating subsidy will be made available to the project. (If applicable for points) |
<p>|   | 25 | High-Speed Internet – A certification signed by the applicant and the project architect that all units in the proposed development will be equipped with high-speed internet capability. (See Tab HH) See Threshold Requirement #17 in QAP |
|   | 26 | Verification of use of Michigan Products – To demonstrate the use of products and goods that are manufactured by Michigan-based corporations and that are to be incorporated into the construction or rehabilitation of the proposed development, an Architects Certificate must be submitted. (See Tab HH for certification language requirements) |</p>
<table>
<thead>
<tr>
<th>#</th>
<th>LIHTC / Supportive Housing / Modified Pass-through Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>Cool Cities – In addition to applicable exhibits 1 - 32, the following must be submitted:</td>
</tr>
<tr>
<td></td>
<td>1. Provide a map outlining the entire Cool Cities neighborhood showing where the development is located within the Cool Cities neighborhood boundaries. The map must also outline the Cool Cities neighborhood relative to its:</td>
</tr>
<tr>
<td></td>
<td>a. Arts and culture;</td>
</tr>
<tr>
<td></td>
<td>b. Pedestrian-friendly environment/pedestrian activity;</td>
</tr>
<tr>
<td></td>
<td>c. Residential and commercial density;</td>
</tr>
<tr>
<td></td>
<td>d. Historic district, if applicable; and</td>
</tr>
<tr>
<td></td>
<td>e. Recreational opportunities/parks</td>
</tr>
<tr>
<td></td>
<td>2. Support from the local unit of government:</td>
</tr>
<tr>
<td></td>
<td>a. Provide an executed letter of support from the local government on official letterhead that shows support for the project.</td>
</tr>
<tr>
<td></td>
<td>3. Provide a letter on official letterhead executed by a representative of the Cool Cities neighborhood (Catalyst grantee) entity verifying that you have discussed the development with the representative. In this correspondence the grantee must outline the following:</td>
</tr>
<tr>
<td></td>
<td>a. How the development blends with the goals of the Cool Cities neighborhood plan.</td>
</tr>
<tr>
<td></td>
<td>b. How the development will improve or enhance successful revitalization in the neighborhood.</td>
</tr>
<tr>
<td></td>
<td>c. The various sources of financing that have been committed within the boundaries of the Cool Cities designation, i.e., federal, state, or local monies, grants, philanthropic donations, conventional financing.</td>
</tr>
<tr>
<td>28</td>
<td>Financial Capacity and Creditworthiness (MANDATORY) – Financial Statements of applicants and contractors must be submitted for all projects. See LIHTC Policy in Tab W. See Threshold Requirement #12 in QAP</td>
</tr>
<tr>
<td>29</td>
<td>Native American Housing – See applicable Policy Bulletin</td>
</tr>
<tr>
<td>30</td>
<td>Affordable Assisted Living – See applicable Policy Bulletin</td>
</tr>
<tr>
<td>31</td>
<td>A Description of the proposed credit enhancement and a statement as to the amount of tax-exempt bonds (and taxable bonds when appropriate) that is necessary. SUBMIT WITH MODIFIED PASS-THROUGH FINANCING ONLY</td>
</tr>
<tr>
<td>32</td>
<td>An agreement to pay all costs of issuing the bonds and to compensate the professional team for the issue, including the underwriter, trustee, and bond counsel, at no cost to the Authority. SUBMIT WITH MODIFIED PASS-THROUGH FINANCING ONLY</td>
</tr>
</tbody>
</table>
2008 MODIFIED PASS-THROUGH PROGRAM
(Debt Financing Under Section 44(c) of the Authority's Act)

The Authority offers “conduit” or “pass-through” financing in which the bonds issued to finance the development are a limited rather than a general obligation of the Authority, the obligation is not secured by the Authority's capital reserve capital account, and the obligation is not backed by the moral obligation of the state of Michigan. Instead, the bonds are secured by the revenues of the borrower, the real and personal property being financed, and by some form of credit enhancement provided by the borrower and acceptable to the Authority.

I. Eligible Projects:

Projects must satisfy the eligibility requirements of Section 44c of the Authority's Act. Both new construction or acquisition and substantial rehabilitation of residential rental units will be considered. Proposals conditioned upon the receipt of LIHTC must meet the threshold requirements of the LIHTC Program.

Refunding projects (existing projects presently financed with the proceeds of bonds issued under the pass-through program) will only be required to satisfy those processing requirements applicable to the proposed transaction, and will be considered on a case-by-case basis under the requirements of Section 44c of the Authority's Act.

II. Eligible Borrowers:

The Borrower must be an eligible entity under the Authority’s Act (e.g., a limited dividend housing association organized as a limited partnership, a corporation, or a limited liability corporation). An entity treated as a Section 501(c)(3) organization is not subject to the unified volume cap or LIHTC requirements.

In addition, to ensure the availability of volume cap under this program for responsible developers and qualified projects, the sponsor or developer must be in good standing at the time of application. Good standing means that none of the other projects involving the sponsor or developer that have been financed by the Authority under this program or another Authority lending program are experiencing significant, unresolved problems. This determination will be made in the Authority’s reasonable discretion.

III. Minimum Income and Rent Restriction Requirements:

Applicants with projects in "eligible distressed areas" are required to commit to income and rent restrictions targeting either (i) 60% of the units for households whose income is at or below 60% of area median income, or (ii) 40% of the units for households whose income is at or below 50% of area median income.
The sponsor/developer is encouraged to target and claim additional Low Income Housing Tax Credits (LIHTC) for additional units.

In other than “eligible distressed areas,” the project must have income and rent restrictions on 100% of the units, targeting those units to low and moderate income persons and households, as determined by the Authority.

IV. Threshold Requirements:

Authority staff will review each application to assure that the use of the State’s volume cap for a project will not impair the Authority’s ability to carry out its programs or finance developments or housing units that are targeted to lower income persons.

The Authority’s Office of Legal Affairs – Tax Credit Allocation Section will also review the application to assure that threshold requirements for participation in the LIHTC Program are met if LIHTC are being used to finance the development.

Authority staff will not and do not underwrite these loans.

V. Volume Cap and Project Limits:

All proposals are subject to available volume cap, as made available by the Michigan Department of Treasury and as determined appropriate by the Authority.

The volume cap that may be allocated for any one project is $10 million, subject to increases as described below. Individual sponsors are prohibited from any ownership or participation on a fee basis in multiple project applications that have a combined bond amount of more than $25 million/year unless volume cap is not fully subscribed as described below.

The per project limit for rehabilitation projects with more than 150 units may be increased up to 150% of $10 million with the approval of the Executive Director, for good cause shown.

In the event that the volume cap allocated to the program has not been fully subscribed by July 1st, sponsor/developers will be permitted to submit additional applications for consideration by the Authority. The per project cap will still limit the allocation available for any additional projects.
VI. Application, Commitment, Closing and Other Fees:

With submission of an application, the sponsor/developer must include an application fee equal to the greater of $4,000 or .0005 times the amount of the bonds to be issued. This application fee will be credited to the commitment fee due.

On receipt of a loan commitment, the sponsor/developer shall pay a commitment fee of 0.1% of the principal amount of the bonds to be issued, less any amount paid with the initial application.

In addition, upon issuance of the bonds to finance the project, the borrower shall pay the Authority a fee of not more than 0.9% of the principal amount of the bonds for projects located in eligible distressed areas or 1.9% for projects located in non-distressed areas.

For each year that any bonds issued by the Authority under this program (including refunding bonds) remain outstanding, commencing the first calendar year following closing, the borrower shall remit to the Authority an amount equal to 0.25% of the outstanding principal amount of the bonds as of January 1 of such year. This fee shall be paid in two equal semi-annual installments on the interest payment dates established for the bond issue (if interest on the bonds is paid semi-annually) or on each March 1 and September 1 (if interest on the bonds is paid other than semi-annually).

The closing fee in connection with refunding bond issues shall be 0.50% of the face amount of the refunding bonds. For other transactions that do not involve the issuance of new bonds, including a modification of bond terms, conversions and the like, the borrower shall remit a fee equal to 0.25% of the outstanding bond issue.

The Authority reserves the right to charge additional fees to accommodate other transactions (such as substitution of credit enhancements) as it deems appropriate from time to time.

VII. Application Requirements:

A. If the sponsor/developer plans on utilizing LIHTC as part of its overall capital structure, the sponsor/developer must submit a completed application under the LIHTC Program, including all required attachments.

B. In order to be considered complete, all applications for an allocation of volume cap under this program must include:
i. A description of the proposed credit enhancement and a statement as to the amount of the tax-exempt bonds (and taxable bonds, if appropriate) requested. The proposed credit enhancement may be in the form of an unconditional irrevocable letter of credit, guaranty, bond or mortgage insurance, or other security as the Authority deems appropriate to assure the Authority that repayment of the bonds is reasonably secure.

ii. An undertaking to pay all bond issuance costs and to compensate the professional team (bond underwriter, bond trustee, bond counsel, etc.) for services rendered in issuing the bonds. All bond issuance costs are the responsibility of the sponsor/developer and are not the responsibility of the Authority.

iii. To the extent not identified in the LIHTC Program application, identification of the full development team, including the bond underwriter, bond trustee, bond counsel, equity partner and rating agency.

iv. For proposals involving the acquisition and rehabilitation of existing property, substantiation that the rehabilitation expenditures will equal at least 30% of the bond proceeds used to acquire the building(s) and equipment. This amount may be reduced in eligible distressed areas on resolution of the Authority if the likely benefit to the community or the proposed residents merits the reduction.

v. If applicable, a tenant relocation plan.

vi. A phase I environmental assessment report.

vii. A market study.

viii. The application fee.

C. Applications will be accepted at any time on a first-come, first-served basis. The Authority will, upon request, advise prospective sponsors/developers of the number of proposals in process, the total volume cap represented by those proposals and the volume cap allocated for the program.

D. Applications that do not receive a reservation of volume cap due to the then-current unavailability or inadequacy of volume cap must re-apply if they desire to be reconsidered once volume cap is again available.

VIII. The Authority Processing Sequence:

A. Upon receipt of an application, staff will conduct a preliminary review, and the Director of Legal Affairs will notify the sponsor/developer in writing within thirty (30) days as to whether (i) the application is complete or (ii) the application is not complete, and what must be corrected or completed. An incomplete application that is not corrected and/or completed by the sponsor/developer within sixty (60) days of this notice will be deemed terminated. Staff will review and evaluate a completed
application and make a recommendation to the Authority members that use of the State’s volume cap for the proposed project will not impair the ability of the Authority to carry out its programs or to finance housing developments or housing units that are targeted to lower income persons. This process includes:

i. A determination of the extent, if any, to which the proposed project may adversely affect a project or projects (a) financed with Authority loans, or (b) to which the Authority has extended a loan commitment that has not been terminated, or (c) that is considered to be "active" in the Authority’s pipeline.

ii. A review of the environmental assessment report to confirm that no environmental problems exist that cannot be resolved to the satisfaction of MDEQ and the Authority.

iii. A review and evaluation of the proposed credit enhancement and the proposed credit enhancement provider.

iv. Preparation of an Inducement Report and Resolution for Authority consideration within forty-five (45) days of receipt of a completed application. This represents the Authority’s formal action for purposes of applicable tax regulation, currently Treas. Reg. §1.150-2(d). It does not constitute a commitment to loan funds or a determination that the proposal is acceptable.

v. A review of the contractor's equal employment opportunity plan.

B. The Authority will use its best efforts to complete the processing sequence identified in IV.A(i) – (v) within sixty (60) days of receipt of a completed application. Once the review has been completed and the application is determined to be acceptable, the Director of Legal Affairs will then issue a letter reserving volume cap for 180 days. This letter must be signed and returned by the sponsor/developer within twenty (20) days or the volume cap reservation will lapse.

C. When the sponsor and the project are ready to proceed to closing, Authority staff and/or bond counsel will:

i. Begin drafting loan and bond documents;

ii. Publish a TEFRA notice and conduct a TEFRA hearing. This must occur prior to the Authority’s meeting at which the Bond Resolution will be considered (see (iv) below);

iii. Prepare a Commitment Report and Resolution for Authority consideration after evidence of a firm commitment for acceptable credit enhancement has been received, reviewed and evaluated by staff; and
iv. Prepare a Bond Resolution for Authority consideration together with the Commitment Resolution, provided that the principal bond documents requiring Authority signature or approval are in substantially final form.

D. Proposals that are found unacceptable shall be terminated. The Authority will notify the sponsor/developer in writing of any termination and the basis for termination. A proposal that has been terminated may only be resubmitted as a “new” proposal with payment of a new application fee.

E. Proposals that are modified in any material respect during the review process will be deemed re-submitted, and the timeline for the Authority’s response and the related evaluation of the sufficiency of bond cap and other considerations will begin anew as of the date of the modification.

F. Proposals must proceed to loan commitment and authorization of the issuance of the Authority bonds within 180 days after the sponsor's acceptance of the reservation of volume cap. Extensions will be provided only upon payment of a $5,000 non-refundable fee and strict compliance with the terms of Section 44c of the Authority's Act.

G. For planning and administrative reasons, closings will not be permitted during the month of December, absent approval from the Authority. Requests will be considered on a case-by-case basis. In the event that a project's 180-day reservation of volume cap terminates during the month of December, however, an additional thirty (30) days will be granted.

IX. Return on Equity:

A borrower is allowed distributions equal to a 12% return on investment in the project for the first 12-month period following the substantial completion of the development. Thereafter, the allowable return on investment is increased by 1% annually up to 25% (except for developments in eligible distressed areas where this is no cap) and is fully cumulative. The borrower shall be required to submit to the Authority a copy of the annual financial statement evidencing its eligibility for return on investment no later than ninety (90) days following the close of the borrower’s fiscal year. The borrower’s “investment” is defined pursuant to the Authority’s Resolution dated March 13, 1985.
X. Equal Employment Opportunity:

The general contractor must submit an equal employment opportunity plan pursuant to Section 46 of the Authority's Act, for approval by Authority staff. Some monitoring will be conducted to assess the contractor's efforts to comply with the plan.

XI. Compliance Monitoring and Reporting Requirements:

On or before September 1 of each year, the borrower must provide the Authority with a report in a form acceptable to the Authority that includes the following statutorily-required information: incomes of the tenants, the estimated economic and social benefits of the housing to the immediate neighborhoods, the estimated economic and social benefits to the city or community, information with respect to displacement of lower income persons to the extent such occurs, together with steps taken by governmental or private parties to ameliorate the displacement and the results of such efforts, any additional information the Authority needs to report the extent of reinvestment by private lenders in the neighborhood resulting from the housing project, the age, race, family size and average income of tenants, and the estimated economic impact of the project, including the number of construction jobs created, wages paid, and taxes and payments in lieu of taxes paid.