

MSHDA

MICHIGAN STATE HOUSING
DEVELOPMENT AUTHORITY

Addressing Affordable Housing

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Multi-Family Affordable Housing in 2020

Challenges

- COVID 19
- Increase in the cost of building materials
- Limited Gap funding dollars
- Unemployment (inability to pay rent)

Resources

- Coronavirus Relief Funds
- Short term payment deferrals
- Flexible gap financing

The Multi-Family Capital Stack and Gap Financing

Typical Capital Stack

- First Mortgage
- “Soft” Funds
- Fed \$/HOME
- Low Income Housing Tax Credits
- Deferred Developer Fee

If the sources (capital Stack) are less than the uses, the financing has a “Gap”.

The Authority has sought to involve social-impact investors in the capital stack to bring certain developments to feasibility.

The Authority’s Below Market Rate Bond (“BMRB”) Program has helped to achieve this goal.

BMRB Program

The BMRB program gives social-impact investors an opportunity to invest in a very complex multi-family development without the “brain damage”. The investor purchases MSHDA bonds at a coupon below the market rate and the savings is passed on to the development through a lower mortgage rate.

Benefits to the investor

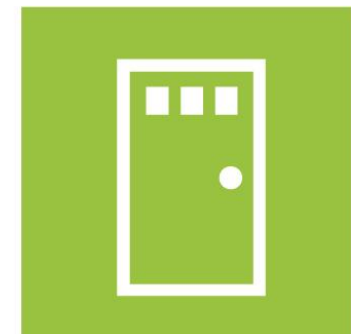
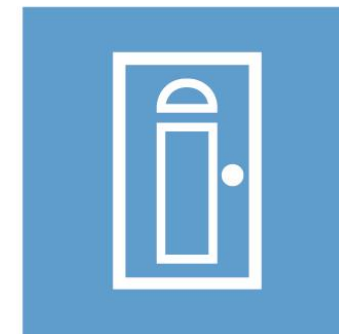
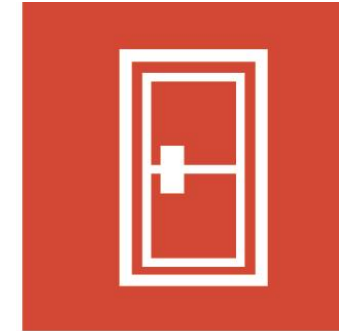
- Investor no longer must underwrite the individual development
- The bonds will immediately begin to pay debt service
- The bonds can be sold at anytime

Michigan State Housing Development Authority Rental Housing Revenue Bonds Below Market Rate Bond Program

The Below Market Rate Bond (BMRB) program was designed to streamline and simplify the investment into a multifamily development. Prior the BMRB program, potential investors were asked to make “soft” second loans into a very complex capital stack with little clarity as to when or if the investment could be repaid. The Michigan State Housing Development Authority (MSHDA) offers mortgage lending rates based on its cost of capital. A lower mortgage rate gives the borrower the ability to increase the size of the mortgage; thereby, eliminating gaps and bring a development to feasibility.

The BMRB program gives the investor the ability to purchase the MSHDA bonds that will fund the development. Purchasing MSHDA bonds eliminates the need for the investor to underwrite and individual development, since even if the development fails, MSHDA will still be obligated to pay the bonds and interest. Through the BMRB program, the bonds are privately placed with the investor at an interest rate lower than can be achieved in the market and 100% of the saving are passed on to the development.

Attached you will find a partial term sheet. These are not all the items that will need to be taken into consideration prior to making an investment through the BMRB program.



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Michigan State Housing Development Authority Rental Housing Revenue Bonds Below Market Rate Bond Program - Term Sheet

Delivery Date	TBD
First Int Pmt Date	TBD
Int Pmt Dates	4/1 and 10/1
Rating/Outlook (Expected)	S&P: "AA"/Stable
1 st Optional Redemption Anytime	
Coupon	1% (Negotiable)
Price	100%
Term	40 Years
Minimum Investment	\$1 Million
Tax Status	Tax Exempt

Disclaimer

The presentation and term sheet regarding the Below Market Revenue Bond ("BMRB") program are not an offer to purchase or participate and are being provided for informational purposes only. Participation in the BMRB program is contingent on the MSHDA Board's approval of a specific development, the execution of a bond contract of purchase, and other conditions deemed necessary by MSHDA's Chief Financial Officer and Director of Legal Affairs. Any purchaser understands and acknowledges that it will not rely on the MSHDA's bond official statement as to any BMRB program purchase. MSHDA has not evaluated any tax or securities consequences or benefits for BMRB program purchasers, makes no representations and directs interested purchasers to their own financial and/or tax advisors.