STATE OF MICHIGAN
GRETCHEN WHITMER
GOVERNOR
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING
AMY HOVEY
EXECUTIVE DIRECTOR

October 3, 2023

Douglas Fleming
220 Kalamazoo Limited Dividend Housing Association Limited Partnership
419 Cherry Street
Lansing, MI 48933

Re: Riverview 220 (Project # N23019)

Dear Mr. Fleming:

The above-referenced project from the April 3, 2023 Funding Round has received a conditional award of Low Income Housing Tax Credit in an annual amount up to **$1,497,000**. The award of the tax credits is conditional due to the following:

- A review of the application revealed the need for the following, which must be received by **October 18, 2023:**

  1. As noted on page 27 of Addendum I of the application, Development Team members will be required to supply information to MSHDA for purposes of completing background checks if their project is funded. Please provide us with the name, address, social security number and date of birth of all parties that are either a Principal or General Partner of the ownership entity, and all parties that are a Principal of the Management Company.
  2. Please provide confirmation of equity from the provider as well as the rate and financial projections.
  3. Please provide confirmation of amount, rate, terms, guarantors, and underwriting assumptions from all lenders.
  4. Please provide a trade payment breakdown reflecting current pricing signed by the general contractor and sponsor and dated within 30 days of 15-day letter reply.
  5. Please confirm the development name is to be “Riverview 220”. Drawings submitted with the Project Narrative demonstrate the name “Cherry Hill Lofts”.
  6. The letter from the City of Lansing does not mention availability of sewer service to the development. Please provide documentation demonstrating sewer service is available at this location.
  7. Please provide an updated Agreement to Provide Services between KMG Prestige, Inc and Lansing Housing Commission that includes notice to MSHDA if the entities decide not to renew the agreement at the five-year renewal date, as well as information regarding maximum increase(s) in monthly fees payable to KMG Prestige, Inc. after the first year of the agreement.
  8. Please contact Katy at vanhoutenk1@michigan.gov regarding the financial statements for Rohde Construction.

9. The submitted RAD Manual excerpt states "HUD may provide up to a $100 per unit per month increase to the RAD rents" in cases of new construction or substantial rehabilitation in a designated Opportunity Zone. Please provide confirmation that if an increase less than $100 per unit per month is granted by HUD the project will move forward in a substantially similar form to this application.
10. Please provide a copy of the tenant relocation plan for Forest Arbor for Authority review.
11. Please provide further information regarding the redevelopment of public housing and transfer of units from Forest Arbor, including what will happen to the Forest Arbor project. Is Forest Arbor intended for demolition, future renovation, or another process? Does a tenant at Forest Arbor choosing a tenant-based voucher effect the number of voucher units that may be transferred to Riverview 220?
12. Income from commercial space rented to the Lansing Housing Commission was included on the Income tab of the LIHTC application. Are expenses related to this rental included in the project operating budget? Please provide a brief explanation of operating expenses included in the budget or why they have not been.
13. Costs for security are not specifically included in the operating expenses of the LIHTC application. Please provide an explanation of the security plan and costs for this project.
14. Please update the Sources tab of the LIHTC application to split MIP from the permanent loan interest rate into the column provided for MIP.
15. Please provide a brief description of the line on the Project Costs tab of the LIHTC application labeled "Working Capital". What is this cost item intended to cover?
16. The Tax Credit Compliance fee listed on the Project Costs tab is larger than will be charged. The fee is $475 per low-income unit and is not charged on market rate units. Please revise the application to include only the correct fee.
17. A Debt-service Coverage Ratio is not entered into cell D42 of the cash flow tab of the LIHTC application. Please revise the LIHTC application to include an entry in this cell of at least the most restrictive ratio required by the syndicator or permanent lender.
18. Please provide completed Development Team Information forms for the project Attorney and CPA.
19. Ownership in the general partner is split 99% Lansing Housing Commission and 1% Chesapeake Community Advisors. However it is expected that partners providing experience have a material share in ownership and risk in the projects on which they partner. Please note that this split will not be acceptable for General Partner experience points in future Qualified Allocation Plans.
20. The developer fee split is not concomitant with the ownership percentages. Please note some items in the 2024-2025 QAP and Scoring Summary will require a concomitant split of developer fee and ownership percentages.
21. Points were awarded for Public Housing Conversions based on redevelopment and transfer of assistance from Forest Arbor to Riverview 220. All public housing units from Forest Arbor are being converted and transferred to Riverview 220. Please provide confirmation the sponsor understands these points now may not be applied to the rehabilitation of Forest Arbor in future submissions.

22. Points were awarded for Tenant Services based on the Financial Education, Healthy Start, and Adult Education services. Please provide specific information for these services included confirmation they will be available in-person and on-site at the development, where they will be located on-site, and their expected frequency.
23. The project was assessed two negative points under scoring item C.4 (Temporary Point Reduction) as required by the second amendment to the 2022-2023 Qualified Allocation Plan. The Lansing Housing Commission was part of projects that received between 5% and 12% of their original credit allocation in the July 2022 Special Funding Round.

- The Environmental Study for the project has received a Conditional Go due to the reasons stated in the attached memo from Megan Castro. The deficiencies listed in the memo must be corrected and determined to be acceptable by the Authority's LIHTC Allocations Manager and the Authority's Environmental Officer within one year of the date the Reservation is issued. If you have questions regarding the requirements, please contact Megan at CastroM5@michigan.gov .

- The project Market Study presents a Medium risk to the Authority. With suggested mitigation, that can be reduced to a Low risk. If you have questions regarding the requirements, please contact David Allen at AllenD1@michigan.gov .

Once the information/documentation due **October 18, 2023** is received and determined to be acceptable by the Authority, any remaining Environmental and Market conditions will be incorporated into the award document. You will then have one year to correct those conditions.

Additionally, all of the requirements of Section XII of the 2022-2023 Qualified Allocation Plan must be fulfilled within one year of the date of the Reservation.

Failure to fulfill these requirements will result in a loss of the tax credit allocation and may result in negative points to the Applicant in future funding rounds.

If you have any questions regarding this process, please contact Katy VanHouten at vanhoutenk1@michigan.gov or (517) 335-4461.

Sincerely,

Elizabeth A. Rademacher

Elizabeth A. Rademacher
Allocations Manager
Low Income Housing Tax Credit Program

Enclosure

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
735 EAST MICHIGAN AVE • P.O. BOX 30044
LANSING, MICHIGAN 48909
MICHIGAN.GOV/MSHDA

M E M O R A N D U M

Date: May 30th, 2023

To: Katy VanHouten

From: Megan Castro MC

Re: Tax Credit Proposal **#N23019 Riverview 220,** Lansing

Recommendation: Conditional Go

The Phase I ESA documentation as submitted by the Sponsor for the above referenced development conditionally satisfies the Authority's environmental review requirements for the LIHTC program.

Prior to Initial Closing, the sponsor will complete the items below and submit to MSHDA for review and approval:

1. **Additional Information:** Baryames Cleaners located adjacent to Subject Property.
    a) Sponsor to provide clarification of dry-cleaning activities which should specify if the location is a drop-off site or conducts on-site dry cleaning. Additional clarification will be needed regarding products used if on-site dry cleaning is occurring or cannot be reasonably ruled out.
    b) If it is found that dry cleaning occurs on-site or the possibility that on-site dry cleaning is occurring cannot be ruled out, additional investigation and mitigation may be required.

2. **Asbestos** – Phase I indicates a Pre-Demolition Hazardous Materials Survey was conducted but was not in document attachments as indicated. Survey to be provided. Prior to demolition, a demolition asbestos survey satisfying NESHAP requirements must be performed and report provided under separate cover.
    a) All Regulated Asbestos Containing Material (RACMs) must be removed in accordance with NESHAP regulations prior to demolition.
    b) If abatement of RACMs is required, an abatement plan must be provided to the sponsor's environmental consultant and the work performed by an appropriately licensed and insured abatement contractor. Asbestos abatement costs must be identified by a separate line item in the trade payment breakdown.

3. **Floodplain –** According to FEMA maps, portions of the subject property are in the 100-year floodplain.
    a) All buildings (lowest floor elevation), parking areas, and ingress/egress areas must be elevated at least one foot above the 100-year floodplain.
    b) Flood insurance through the National Flood Insurance Program may be required.
    c) Sponsor to obtain all necessary permits from appropriate agencies (i.e., EGLE, FEMA), if required.

    Survey indicated in Phase 1 but not provided. Sponsor to provide the following for MSHDA review:
    d) A signed and sealed ALTA topographic survey showing BFE and the location of planned development features.

4. **Noise –** A HUD noise assessment was performed for the subject property and a DNL of 71 dB was reported. The Capital Area Transportation Authority (CATA) Transportation Center is adjacent to the Subject Property. This center is the main boarding center for the Lansing area municipal bus routes

and includes ticket operated transit services through Greyhound and Indian Trails. Additional characterization and assessment of noise levels is needed to determine and inform possible mitigation measures needed for the Subject Property.

a) Sponsor to conduct a reassessment and classification of contributing noise level factors, accounting for CATA Transportation Center traffic (Ex. number of buses, routes, frequency of stops, etc.).
b) Sponsor to provide documentation from the project architect (STraCAT calculation, or equivalent) demonstrating that the affected building envelope will meet interior noise threshold and describe any additional mitigation measures necessary.

5. An **executed scope of services agreement** between the sponsor and the sponsor's environmental consultant for completion of the items required prior to final closing or placing the tax credits into service (8609), listed below. The agreement should provide for access and oversight sufficient for the consultant to document and opine as required.

Prior to placing the tax credits into service (8609), the sponsor's environmental consultant will complete the items below and submit to MSHDA for review and approval:

6. An **asbestos closeout report** (with environmental consultant's letter of reliance to MSHDA) detailing all of the following, as applicable:
   a) Firm license for regulated abatement activities, if any.
   b) Ensure that all regulated asbestos containing materials were properly abated in accordance with project scope of work. Recommend additional abatement or assessment, if any.
   c) Provide a copy of the project's "Notice of Intent to Renovate/Demolish" filed with LARA, if required.
   d) Include all third-party clearance reports.
   e) Complete an Operations and Maintenance (O&M) plan for all non-friable asbestos containing materials that were not removed but will be managed in place and provide a copy of this plan to the owner and MSHDA.
   f) Opine on whether the asbestos work was conducted in accordance with the project plans/specifications and applicable regulations.

NEPA Review: Not required

Federal funds from MSHDA were not requested for this activity.

To: MSHDA TAX CREDIT ANALYSTS
From: Laurie Cummings
Re: Riverview 220
Market Study Risk Assessment
Full 9% Study
Lansing, MI
June 5, 2023

Risk Level as Proposed: Medium
Risk Level after Mitigation: Low

Project Description. The sponsor is proposing to develop Riverview 220 apartments, a new open-occupancy rental housing development located at 220 East Kalamazoo Avenue, Lansing, MI. Upon completion, the development will consist of one five-story elevatored building with a total of 63 multifamily units.. According to the sponsor's narrative, Riverview 220 is the fifth project in the Lansing Housing Commission's redevelopment of its Public Housing portfolio utilizing HUD's Rental Assistance Demonstration ("RAD") Program. It also said that 2,200 square feet of ground floor commercial space will be leased by Lansing Housing Commission to provide room for tenant services and operational activities. Fifty-six units (89% of the total) will have project-based Section 8 subsidies and the remainder (11% of the total) will be market-rate units.

Configuration. The unit configuration below shows the average unit sizes and rents, which include water, sewer, and trash removal:

	AMI Target	# of Units	# of PBRA Units	# of Baths	Type	Average Sq. Footage	Contract Rent	Utility Allowance	Gross Rent	Max Gross Rent	Maximum Income
Total		**63**	**56**								**$92,050**
Summary 2 BR		**56**									**$79,700**
2 BR-Apt-S	60%	24	24	1.0	Apt	914	$1,033	$136	$1,169	$1,195	$47,820
2 BR-Apt-S	60%	28	28	1.0	Apt	914	$974	$136	$1,110	$1,195	$47,820
2 BR-Apt	Mrkt	4		1.0	Apt	914	$1,340	$136	$1,476	NA	$79,700
Summary 3 BR		**7**									**$92,050**
3 BR-Apt-S	60%	4	4	1.0	Apt	1,197	$1,348	$163	$1,511	$1,380	$55,230
3 BR-Apt	Mrkt	3		1.0	Apt	1,197	$1,520	$163	$1,683	NA	$92,050

Site Analysis. The property would be located on a site that has a high Walk Score (76 out of 100 or "Very Walkable"), is near downtown Lansing, and should have good drive by exposure to potential tenants, especially given the fact that it will be five stories high. However, Crimemapping.com shows a very high incidence of crimes within ¼ mile of the site in the six-month period from 11/6/22 to 5/4/23, including some that occurred very near to the site. Strong security measures will be necessary for this project.

Amenities. The proposed amenities are shown below. The sponsor would provide 64 surface parking spots for a parking ratio of about one space per unit; while this normally would be considered very low for a property with a prevalence of larger (two-and three-bedroom units), it may be acceptable given the site's walkability, proximity to the bus stop, and very high proportion of subsidized units. The property would not provide garbage disposals, high-speed internet, or in-unit washers/dryers, which are offered by many of the closest competitors.

Proposed and Recommended Amenities					
Unit Amenities					
Yes	**A/C - Central**	Yes	**Microwave**	Yes*	Patio/Balcony
	A/C - Wall Unit		Ceiling Fan		Basement
	A/C - Sleeve Only		Walk-In Closet		Fireplace
	Garbage Disposal	Yes	**Window - Mini-Blinds**		High Speed Internet
Yes	**Dishwasher**		Window - Draperies		Individual Entry
Development Amenities					
	Clubhouse *(separate building)*		Swimming Pool		Sports Courts *(b-ball, tennis, v-ball, etc.)*
Yes	**Community Room**		Playground/Tot Lot	Yes	**On-Site Management**
Yes	**Computer Center**		Gazebo		Secured Entry - Access Gate
Yes	**Exercise/Fitness Room**	Yes	**Elevator**	Yes	**Secured Entry - Intercom or Camera**
Yes	**Community Kitchen*(ette)***		Exterior Storage Units		
Laundry Type		**Parking Type**			
Yes	**Coin-Operated Laundry**	Yes	**Surface Lot**	64	Number of Spots Total
Yes	**In-Unit Hook-up Only**		Carport		
	In-Unit Washer/Dryer		Garage *(attached)*		
	None		Garage *(detached)*		

*-Community Patio

Rental Market. The market for rental housing in the PMA is stable. The study surveyed 19 projects with an overall occupancy rate of 93.8 percent. Of those, five were tax credit projects with average occupancy rates above 94.1%.

The market study stated that the property lacks in-unit washers/dryers and garbage disposals, which are offered by the majority of competitive projects, but said that given the project-based subsidy covering the majority of units, they are not necessary for the success of the project. However, this ignores the presence of the market-rate units in the proposal, which make up 11 percent of all units; this raises concerns that the proposed market-rate rents may be too high given the product that is being offered.

Impact on Authority-Financed Properties: To the best of the knowledge of the Office of Market Analysis staff, this property will not adversely affect projects: a) financed by the Authority, b) to which the Authority has extended a loan commitment, or c) that is considered active in the Authority's pipeline.

Rent Analysis. The proposed market-rate rents are notably high given the proposal's unit sizes and amenities when compared to other properties. It is recommended that the market rents be lowered to the at least the following levels to be more in line with competing properties: $1,150 for a two-bedroom unit and $1,310 for a three-bedroom unit.

Demand Analysis. An analysis of demand was presented for households under the age of 65 in the market area. The demand analysis yielded the following demand ratios:

Penetration Rate	1.7%
Capture Rate	27.0%
Saturation Rate	5.3%

All of these ratios are within MSHDA's preferred thresholds, indicating sufficient theoretical demand for the project.

Absorption. The study estimated an absorption period of approximately 4 to 6 months for the property to reach 93 percent stabilized occupancy. This estimate assumes a lease-up rate of 11 to 16 units per month and that the proposed project-based subsidy is in place. Assuming that the recommendations in this memo are adopted and that applicants can be processed on a timely manner, this rate is likely achievable.

Market Risk. This proposal has some strengths; it is located on a walkable site near downtown Lansing and has a high percentage of project-based subsidy. However, not all of its unit sizes and amenities are competitive given the level of the proposed market-rate rents; renters in the market are who pay rent of $1,340 plus utilities for a 2BR unit or $1,520 plus utilities for a 3BR unit will expect a rich amenity package, high-end finishes, and other embellishments. There is also a high incidence of crime in the vicinity of the property. The Risk-Mitigation measures below address these concerns.

Risk-Mitigation Measures. The following risk-mitigation measures are recommended for this proposal:

- Lowering of the market rents to be the following: $1,150 for a two-bedroom unit and $1,310 for a three-bedroom unit,
- Provision of in-unit washers/dryers in all units,
- The provision of at least 1.5 bathrooms in the two-bedroom units and 2.0 bathrooms in the three-bedroom units,
- The provision of garbage disposals in all units,
- Intrusion alarms on the first-floor units, a secure lobby with fobbed access, and security cameras in all common areas and outdoor spaces.

QUICK REFERENCE SHEET		Riverview 220			
		Possible Points	Self Score	Awarded	Pending
A. Opportunity Criteria					
1.	Proximity to Transportation	3	3	3	
2.	Proximity to Amenities	20	20	20	
3.	Developments near Downtowns or Corridors	3	2	2	
4.	Education, Health & Well-Being, Economic Security	3	0	0	
5.	Community Revitalization Plan Area	2	2	2	
6.	Household Overburdened Area	3	3	3	
	Section Total:	**34**	30	30	0
B. Development Characteristics					
1.	Affordable Assisted Living	5	0	0	
2.	Low-Income Targeting	20	20	20	
3.	Historic Rehabilitation Projects	3	0	0	
4.	Native American Housing	5	0	0	
5.	Affordability Commitment	5	5	5	
6.	Tenant Ownership	1	0	0	
7.	Tenant Services	2	2	2	
8.	QAP Green Policy Points	4	3	3	
9.	Evidence of Proper Zoning	3	3	3	
10.	Evidence of Site Plan Approval	3	3	3	
11.	Visitable Units	3	3	3	
12.	Barrier Free Units	3	3	3	
13.	Accessible Community Space	3	3	3	
14.	Tax Abatement	3	3	3	
15.	Project-Based Tenant Subsidies	5	5	5	
16.	USDA RD Section 515 Developments	5	0	0	
17.	Public Housing Conversions	5	5	5	
	Section Total:	**78**	58	58	0
C. Development Team Characteristics					
1.	Previous Experience of GP/Member	7	7	7	
2.	Successful Partnerships	1	0	0	
3.	Previous Experience of Management Agent	4	4	4	
4.	Temporary Point Reduction	-5	0	-2	
5.	Poor Previous Participation of Applicant	-20	0	0	
6.	Poor Previous Participation of Management Agent	-20	0	0	
	Section Total:	**12**	11	9	0
D. Permanent Supportive Housing Developments					
1.	Supportive Service Coordination	4	0	0	
2.	Service Funding Commitments	4	0	0	
3.	Targeted Supportive Housing Populations	12	0	0	
4.	Developing in a High Need Area	4	0	0	
5.	Experienced Supportive Housing Development Team	9	0	0	
6.	Medicaid Experience	4	0	0	
7.	Specific On-Site Services	4	0	0	
8.	Inclusive Tenant Selection Plan	4	0	0	
9.	Coordinated Entry System	4	0	0	
10.	Recovery Housing Developments	4	0	0	
	Section Total:	**53**	0	0	0
E. Cost Reasonableness & Credit Efficiency					
1.	Credit Efficiency	8	6	6	
	Section Total:	**8**	6	6	0
GRAND TOTAL:			**105**	**103**	**0**

Pending Total	103
Points Lost	-2