

**MEMORANDUM OF UNDERSTANDING  
BETWEEN  
THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
(MSHDA)  
AND  
THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN  
DEVELOPMENT - REGIONAL ADMINISTRATOR'S OFFICE (HUD-  
REGIONAL)  
AND  
THE UNITED STATES DEPARTMENT OF AGRICULTURE RURAL  
DEVELOPMENT MICHIGAN OFFICE (USDA-RD MICHIGAN)**

**I. Purpose:**

The purpose of this Memorandum of Understanding (MOU) is to document the understanding and agreement between the Michigan State Housing Development Authority (MSHDA), the United States Department of Housing and Urban Development - Regional Administrator's Office (HUD-Regional), and the United States Department of Agriculture Rural Development Michigan Office (USDA-RD Michigan) regarding their respective roles and responsibilities in the accomplishment of Subsidy Layering Reviews (SLRs) related to affordable housing projects developed and financed within the State of Michigan. This MOU will describe the functional work, conditions, circumstances, and procedures under which all parties will conduct SLRs when involved in the development process of projects located in Michigan.

**II. Period of Agreement:**

The term of this MOU begins on the date the MOU is last executed by any of the parties to the MOU below, and is intended to continue in full force and effect for three years, commencing on the date of execution unless cancelled, modified or extended earlier in accordance with Section VI.

**III. Program Overview:**

Section 102 of the Department of Housing and Urban Development Reform Act of 1989 requires all projects receiving HUD Housing Assistance combined with any form of other governmental assistance to undergo a SLR. This review will certify that there is no overlap of government subsidies when combining housing assistance programs administered by Federal Housing Administration (FHA) with other forms of federal funds when administered by Federal, State, or Local agencies. This requirement was merged with Section 911 of the Housing and Community Development Act of 1992. Section 911 reviews are required by Housing Finance Agencies where Low Income Housing Tax Credits (LIHTC) are

involved in order to comply with the regulatory requirements of Section 42(m)(2) of the 1986 Internal Revenue Code.

The issue of subsidy layering is addressed differently by the United States Department of Treasury (Treasury), United States Department of Housing and Urban Development (HUD), and United States Department of Agriculture (USDA). Subsidy layering is a HUD statutory requirement to assure that federal resources are neither duplicative nor wasteful when applied to affordable rental housing. These differences are reflected in the extent of subsidy layering analysis that the agencies require; ranging from USDA that relies on the LIHTC review and does not require a formal subsidy layering analysis to HUD's HOME program, which has detailed guidance on how the analysis must be completed.

MSHDA presently conducts SLRs under certain delegated approvals from the above entities. Specifically, MSHDA has been approved to conduct SLRs for projects participating in certain HUD programs and on behalf of the Treasury when related to the LIHTC program.

Further, MSHDA received a letter from the Deputy Assistant Secretary for the Office of Public Housing and Voucher Programs dated August 3, 2011 which authorized them to perform SLRs on behalf of HUD for newly constructed and rehabilitated projects that will receive Section 8 project-based voucher housing assistance. This authorization is in accordance with Section 2835(a)(1) of the Housing and Economic Recovery Act of 2008 (HERA) and Federal Register FR-5417-N-01: *Subsidy Layering Reviews for Proposed Section 8 Project-Based Voucher Housing Assistance Payments Contracts* published on July 9, 2010. Since MSHDA has received authorization on behalf of HUD to perform SLRs for this type of project, it is intended that the SLR requirements for newly constructed and rehabilitated projects with Section 8 project-based voucher housing assistance will be satisfied if a SLR is conducted in accordance with the procedures and requirements identified by this MOU and incorporated documents.

Additionally, pursuant to HUD Community Planning and Development Notice 98-01, the Participating Jurisdiction (PJ) may rely upon the State tax credit allocating agency's evaluation (which is conducted to determine whether there are excess tax credits) to ensure that HUD subsidies are not greater than is necessary to provide affordable housing when combining HOME assistance with the tax credits. Further, the PJ may rely upon HUD's evaluation (conducted in accordance with Section 102(d) of the HUD Reform Act) for projects funded by HUD's Office of Housing (for example, FHA Mortgage Insurance) and Office of Public and Indian Housing and other HUD offices that are required to provide this kind of evaluation. Since MSHDA is the PJ for the state of Michigan, it is intended that the subsidy layering review requirements under the HOME Investment Partnership Program will be satisfied by this agreement in cases where LIHTC financing or Project Based Voucher financing is sought.

Developers often approach the funding process without a full picture of what resources will be used or obtained. This may result in a significant amount of time between the start of the process and the final assemblage of all funding sources.

#### **IV. Responsibilities:**

The responsibilities of the parties with regard to the conduct of SLRs pursuant to this agreement is as specified in the attached Procedures, Terms, and Conditions as specified in the attached document specifying the applicable procedures, terms, and conditions (Attachment I). The provisions of the Procedures, Terms, and Conditions (Attachment I), shall apply to the MOU, to the extent not expressly inconsistent with the provisions of this MOU, the same as if they were fully set forth in this MOU.

#### **V. Termination of Agreement:**

This agreement may be terminated for cause by executing and delivering 90 day written notice to the other two parties by any of the three parties hereto.

#### **VI. Modification of Agreement:**

This agreement may be modified by mutual agreement signed by all parties.

#### **VII. Agency Contact:**

All notices under this MOU shall be in writing and served on the parties at the addresses specified below and delivered (i) by personal delivery, (ii) by overnight delivery service using a nationally recognized overnight delivery service (such as UPS or Federal Express), or (iii) by e-mail or facsimile transmission. Any notice shall be deemed effective for the purposes of this MOU at the date of delivery (if hand delivered), or one (1) business day after being deposited with a recognized overnight delivery service, or the day sent (if sent by e-mail or facsimile transmission). For purposes of this MOU the addresses of the parties are as follows (although any party may change its address by providing the other parties with written notice of such change in the manner specified in this Section):

**Michigan State Housing Development Authority**  
**Attention: Executive Director, Acting Deputy Director-Housing**  
**Development, and Acting Director of Legal Affairs**  
**735 East Michigan Avenue**  
**Lansing, Michigan 48912**

**E-mail: [heidelg@michigan.gov](mailto:heidelg@michigan.gov), [lagrandc@michigan.gov](mailto:lagrandc@michigan.gov), and**  
**[stonec@michigan.gov](mailto:stonec@michigan.gov)**

**Facsimile: (517) 373-7657 or (517) 241-8471**

**United States Department of Housing and Urban Development – Regional**  
**Administrator's Office**

**Attention: Regional Administrator, Region V, Antonio Riley**  
**Office of General Counsel, Region V Counsel, Courtney Minor**  
**77 W. Jackson Blvd. Suite 2608**  
**Chicago, IL 60604**

**Email: [Antonio.R.Riley@hud.gov](mailto:Antonio.R.Riley@hud.gov), [Courtney.B.Minor@hud.gov](mailto:Courtney.B.Minor@hud.gov)**

Office: (313) 913-8654 Fax: (312) 913-8293

United States Department of Agriculture Rural Development Michigan  
Office

Attention: MFH Director, Ghulam R. Sumbal  
3001 Coolidge Road, Suite 200  
East Lansing, MI 48823

E-mail: [Ghulam.sumbal@mi.usda.gov](mailto:Ghulam.sumbal@mi.usda.gov)

Office: (517) 324-5154 Fax: (517) 324-5225

#### **VIII. Indemnification.**

Each party to this MOU must seek its own legal representative and bear its own costs including judgments in any litigation that may arise from performance of their respective obligations under this MOU. It is specifically understood and agreed that no party will indemnify any other party in such litigation.

#### **IX. Miscellaneous Provisions**

(a) This MOU is not intended to, and does not, restrict the authority of any party to act as provided by law, statute or regulation.

(b) This MOU addresses the activities of the parties, and as such does not address (and thus does not restrict) the activities and authorities of any other Federal or State agency or office.

(c) This MOU is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity, by any person against either the United States or the State of Michigan, or their respective departments, agencies, entities, officers, employees, or agents, or any other person.

(d) This MOU may be executed in one or more counterparts, each of which will be considered an original document.

(e) Any information furnished to the parties under this MOU is subject to the Freedom of Information Act, 5 U.S.C. Section 552, the Privacy Act, 5 U.S.C. 552a, and the Michigan Freedom of Information Act, Act No. 442 of 1976, MCL 15.231 et seq., unless otherwise exempt from disclosure pursuant to those or other laws.

(f) The invalidity or unenforceability of any provision of this MOU shall not affect the validity or enforceability of the remaining provisions of this MOU.

#### **X. Governing Law:**

This MOU shall be governed by and construed in accordance with the laws of the State of Michigan and the Federal laws of the United States of America. Federal law will prevail in case of conflict.

**XI. Signatories**

In witness whereof, the parties sign their names as evidence of their approval of this MOU. The person or persons executing this MOU have full power and complete authority to execute this MOU and all related documents in the capacity noted beneath their respective signatures.

Gary Heidel  
Michigan State Housing Development Authority  
Print

9/29/2011  
Date

Az Hudel  
Michigan State Housing Development Authority  
Signature

9/29/2011  
Date

Antonio Riley  
United States Department of Housing and  
Urban Development - Regional Administrator's  
Office  
Print

9/28/11  
Date

[Signature]  
United States Department of Housing and  
Urban Development - Regional Administrator's  
Office  
Signature

9/29/11  
Date

JAMES J TURNER  
United States Department of Agriculture  
Rural Development Michigan Office  
Print

9/29/2011  
Date

[Signature]  
United States Department of Agriculture  
Rural Development Michigan Office  
Signature

9/29/2011  
Date

**Attachment I**  
**SUBSIDY LAYERING REVIEWS**  
Procedures, Terms, and Conditions  
September 29, 2011

**PURPOSE:** To create a streamlined, accurate, and collaborative approach to conducting subsidy layering reviews (SLR) of affordable housing developments in the state of Michigan between HUD, USDA Rural Development, and/or MSHDA.

**INITIAL ASSUMPTIONS:**

1. The SLR should be completed expeditiously as to not impede the affordable housing development and/or financing process.
2. The SLR process should incorporate all parties that are involved in financing the transaction efficiently and effectively to enhance coordination.
3. The SLR process should rely on a standard set of underwriting assumptions which are agreeable to all parties and which the development community is aware of when assembling financing sources.
4. The SLR process should be clear, communicated, and consistent with minimal steps that need to be completed by the Applicants themselves.

**DEFINED ROLES & RESPONSIBILITIES:**

*Applicant:* The affordable housing developer/sponsor/owner seeking financing for their project. The Applicant is responsible for completing the SLR Application that provides the necessary information to be used in the SLR Process.

*Primary Contact Person:* MSHDA, USDA, and HUD will each have a Primary Contact Person who is designated as the main point of contact for SLR purposes.

*Lead Agency:* The Lead Agency is responsible for intake and distribution (as applicable) of specific SLR documents that are completed by the Applicant. Preferably, the Lead Agency would have one Primary Contact Person who is designated as the point of contact for the administration of the entire process (with a possible back-up secondary contact within the same agency). The Lead Agency should have an interest (in varying capacities) in all projects that require a SLR so that the Primary Contact Person can follow a similar procedure for all projects, regardless of the financing sources being used by a given development. In the state of Michigan, it is anticipated that MSHDA would be best suited for this role given its broad and varying capacities as a lender, housing credit agency, and Project Based Voucher PHA in various developments.

*Confirming Agencies:* The Confirming Agencies, to the extent feasible, are responsible for the review of the Draft Memorandum issued by the Lead Agency and to respond with comments within 10 working days.

## **REVIEW TIMELINE:**

**Initial Review (Closing SLR):** Conducted prior to the project closing on construction debt financing, permanent debt financing, and/or investor equity and beginning construction. The full review process will be conducted based on term sheets, letters of intent, and financing commitments that have been received from various funding sources. For projects that do not involve a MSHDA direct loan (including federally funded subordinate debt where MSHDA is the lender), the applicant should contact MSHDA prior to closing on debt financing sources to have a SLR completed. If there are MSHDA, USDA, or HUD financing or subsidies involved, the closing checklists for these sources should also alert the applicant to complete and obtain SLR approval prior to project closing.

NOTE: For projects that were previously financed by or in part by the Confirming Agencies, the applicable Confirming Agencies are encouraged, if not protected under the Privacy Act, to include a 3-year historical vacancy report as well as a 3-year operating budget history to the Lead Agency in order to enhance the accuracy of the project underwriting review process and the resulting SLR. It is anticipated that these reports would be provided upon request from MSHDA and would be incorporated into the project underwriting review process that takes place prior to the SLR process being conducted.

**Final Review (Final SLR):** Conducted in accordance with the final review of a project after construction has been completed. For projects financed with LIHTC, it is anticipated that this review would likely commence shortly after the Applicant submits the final Owner's and Contractor's Cost Certifications to MSHDA.

## **PROCESS & PROCEDURES:**

It is anticipated that Steps 1-3 below should be followed for both the Closing SLR and the Final SLR as outlined above.

**STEP 1:** As provided by MSHDA, the Applicant will complete the "SLR Application"<sup>1</sup> which will be created to contain all the necessary information to complete the SLR. The SLR Application will be placed on the MSHDA website for Applicants to access. The Applicant will certify to the accuracy of the information in the SLR Application to the best of their knowledge and belief and will e-mail the completed and executed SLR Application to the Primary Contact Person of the Lead Agency.

**STEP 2:** Upon receipt, MSHDA will determine if the SLR Application submitted by the project owner is complete or if further information is required. If determined complete, MSHDA will distribute the information contained in the SLR Application to relevant staff within MSHDA for their review and confirmation.<sup>2</sup>

**STEP 3:** If the information is complete and correct based on the confirmations received from relevant MSHDA staff, and if the SLR falls within the relevant SLR underwriting standards, MSHDA will e-mail a Draft Memorandum evidencing the pending approval of the SLR to the Primary Contact Person for USDA and HUD as applicable. Once e-mailed,

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<sup>1</sup> It is anticipated that the SLR Application will be an abbreviated application that contains all necessary and specific project information and data to complete the SLR.

<sup>2</sup> It is anticipated that the amount of time between determining that the SLR Application is complete to the completion of the Lead Agency review and issuance of Draft Memorandum (as described in Step 3) will be no more than 20 working days.

USDA and HUD will have a period of 10 working days to respond to the Draft Memorandum to either give their consent or state that they disagree with the determination made by MSHDA. If USDA and HUD do not respond to the Draft Memorandum within 10 working days, the SLR will be approved and a Final Memorandum will be sent to USDA and HUD for their records. If USDA or HUD disagrees with the determination made by MSHDA, they will be responsible for sending a detailed description of the areas where they have disagreement and outlining possible alternative solutions prior to the expiration of the 10 working days. Thereafter, if a disagreement exists, the agencies will have a period of 10 working days to settle any disagreements that exist, to the extent feasible, and finalize the SLR. The SLR will not be approved and finalized until the concerns of all parties have been satisfied.

If the SLR, as conducted by MSHDA, evidences that the development is over-subsidized, MSHDA will e-mail a Draft Memorandum to the Primary Contact Person of USDA and HUD (as applicable) outlining the areas where the development is over-subsidized. The Draft Memorandum will also recommend one of the "Recommended Remedies" from the section below as a strategy for bringing the project back into compliance with the SLR Underwriting Standards. Once the Draft Memorandum outlining the Recommended Remedy is e-mailed, USDA and HUD will have a period of 10 working days to respond to the Draft Memorandum by sending a detailed description of the areas where they have disagreement<sup>3</sup> and outlining possible alternative solutions prior to the expiration of the 10 working days. Thereafter, if a disagreement exists, the agencies will have a period of 10 working days to agree on a strategy to correct any areas of over-subsidization. If USDA and HUD do not respond to the Draft Memorandum within 10 working days from the issuance of the Draft Memorandum, the strategy will be considered acceptable and steps will be taken to effectuate the strategy so an SLR approval can be achieved.

*NOTE: It is anticipated that if MSHDA does not administer any of the funds in a development, the administering agency (USDA, HUD, or local PHA) will be in a better position to conduct a review of the appropriateness of the funding being incorporated in the transaction. Therefore, MSHDA will not conduct a SLR in those circumstances.*

#### **RECOMMENDED REMEDIES:**

**Closing SLR Remedies:** The stage when the Closing SLR is conducted offers not only the greatest flexibility to increase or reduce funding sources but also the greatest uncertainty regarding actual completed development costs and actual operating data – which are both further solidified at the time of construction completion. Therefore, it is imperative to conduct the Closing SLR in a manner that combines the spirit of ensuring that the project is not over-subsidized while also allowing a small amount of flexibility so the project is not rendered infeasible if unanticipated events occur such as increased costs or operating expenses during construction or post-construction. In addition, since this stage offers the greatest amount of flexibility for reduction of debt financing sources if the project is determined to be over-subsidized, it is recommended that the following remedy procedures be adopted:

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<sup>3</sup> Because the order of resource reduction listed in the "Recommended Remedies" section is agreed to through the execution of the MOU between the agencies, it is anticipated that disagreements will generally be limited to technical issues pertaining to the specific analysis that went into the SLR. If the proposed strategy for curing an over-subsidization event as outlined in the Draft Memorandum varies from the order of resource reduction in the "Recommended Remedies" section, the agencies will have the right to dispute the approach if they disagree with the strategy being proposed.



**Sources and Uses Remedies** – If the SLR conducted determines that a project is over-subsidized due to an imbalance in the total project sources and uses, the following remedies will be considered in the order listed below.

1. Reduction of any MSHDA soft debt financing
2. Reduction of the total LIHTC Allocation
3. Reduction of any USDA or HUD soft debt financing
4. Reduction of any MSHDA hard debt financing
5. Reduction of any USDA or HUD hard debt financing

**Operational Pro-Forma Remedies** – If the SLR conducted determines that a project is over-subsidized due to exceeding the DCR or Cash Flow requirements in the underwriting standards, the following remedies will be considered in the order listed below.

1. Restructuring the payment terms of any MSHDA soft debt financing
2. Restructuring the payment terms of any HUD or USDA soft debt financing
3. Reduction to rent subsidies (e.g. Project Based Vouchers)
4. Restructuring the payment terms and/or amount of any MSHDA hard debt financing
5. Restructuring the payment terms and/or amount of any USDA or HUD hard debt financing

**Final SLR Remedies:** The stage when the Final SLR is conducted offers both the least flexibility in increasing or reducing funding sources but also the greatest certainty regarding actual completed development costs and actual operating data. At this stage, the construction has been completed, the project costs should be audited and certified, and the development should be beginning to lease up. From a project financing and Project Based Voucher standpoint, all the loans and documentation should be executed and recorded as applicable. This offers far less flexibility to adjust these funding sources if it is determined to be necessary. However, inherent to the LIHTC 8609 review process is the determination that the project receives only the amount of credit necessary to make the project financially feasible. With this, the following possible remedies are recommended:

**Sources and Uses Remedies** – If the SLR conducted determines that a project is over-subsidized due to an imbalance in the total project sources and uses, the following remedies will be considered in the order listed below.

1. Reduction of any MSHDA soft debt financing
2. Reduction of the total LIHTC Allocation
3. Reduction of any USDA or HUD soft debt financing
4. Reduction of any MSHDA hard debt financing
5. Reduction of any USDA or HUD hard debt financing

**Operational Pro-Forma Remedies** – If the SLR conducted determines that a project is over-subsidized due to exceeding the DCR or Cash Flow requirements in the underwriting standards, the following remedies will be considered in the order listed below.

1. Restructuring the payment terms of any MSHDA soft debt financing

2. Restructuring the payment terms of any HUD or USDA soft debt financing
3. Reduction of rent subsidies (e.g. Project Based Vouchers)
4. Restructuring the payment terms and/or amount of any MSHDA hard debt financing
5. Restructuring the payment terms and/or amount of any USDA or HUD hard debt financing

### **RECOMMENDED SLR UNDERWRITING STANDARDS:**

The following standards<sup>4</sup> will generally be applied when completing a SLR.

#### **Construction Contract Items:**

- General Requirements - 6% of construction contract, exclusive of builder profit, builder overhead and general requirements.
- Builder Overhead - 2% of construction contract, exclusive of builder profit and builder overhead.
- Builder Profit - 6% of construction contract, exclusive of builder profit.

Projects of 49 units or fewer may aggregate general requirements, builder overhead, and builder profit to a maximum of 20% of the construction contract<sup>5</sup>.

#### **Development fees:**

For projects financed with tax-exempt bonds eligible for 4% credit, the maximum development fee shall be calculated as follows:

- For projects of 49 units or fewer, the development fee will be the lesser of
  - 20% of total development cost<sup>6</sup>, including reserves required by MSHDA, the lender, or investor, but excluding the developer fee, developer overhead, and developer consulting fee; or
  - \$2,500,000.
- For projects of 50 units or more, the development fee will be the lesser of
  - 15% of total development costs, including reserves required by MSHDA, the lender, or investor, but excluding the developer fee, developer overhead, and developer consulting fee; or
  - \$2,500,000.

For all other projects, the maximum development fee shall be the lesser of:

- 15% of total development costs, including reserves required by MSHDA, the lender, or investor, but excluding the developer fee, developer overhead, and developer consulting fee; or

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<sup>4</sup> Many of the underwriting standards contained herein are maximums or minimums established to create boundaries to determine acceptable levels of funding from a SLR standpoint. Alternative underwriting standards may be used by USDA, HUD, or MSHDA programs as long as they fall within the minimums and maximums established by the SLR Procedures, Terms, and Conditions.

<sup>5</sup> Small projects suffer from a "dis-economy of scale" where certain fixed costs of a MSHDA, HUD, or USDA regulated rental transaction may represent higher than normal percentages of project costs. For example, the cost of a construction trailer within the "general conditions" of a construction contract may be disproportionately higher as a percentage of the contract in a 20 unit transaction compared to an 85 unit development. As a result of this mathematical phenomenon, on projects of less than 50 units this standard allows a 20% cap on the combined costs of builder's profit, overhead, and general conditions.

<sup>6</sup> The allowance for a 20% fee is discretely limited to 4% LIHTC transactions using tax-exempt bond financing. The rationale is related to "dis-economy of scale" where certain fixed costs of a MSHDA, HUD, or USDA regulated rental transaction may represent higher than normal percentages of project costs. It is further informed by the particular challenges of doing small transactions with 4% credits given the expectations of LIHTC equity investors.

- \$1,800,000.

**Equity Syndication Proceeds:**

- Not less than the amount typically contributed by investors in current market conditions. This item is intentionally flexible due to the wide disparity seen lately in investor equity pricing due to varying project types, sponsor experience and capacity, project location, and overall investor interest. The review will endeavor to take all of these considerations into account to reliably assess the reasonableness of the equity syndication proceeds as compared to the tax credits being allocated to the development.

**DCR, Vacancy, and Trending Assumptions:**

- 15-year or 20-year pro-forma analysis
- DCR -
  - The average DCR<sup>7</sup> over the 15-year or 20-year pro-forma analysis will not be greater than 1.45.
  - The minimum DCR over the 15-year or 20-year pro-forma analysis will not be less than 1.10 unless there is sufficient project operating reserves to achieve (at a minimum) a 1.10 maintained DCR until the expiration of the 15-year or 20-year pro-forma analysis.
- CASH FLOW -
  - The average cash flow<sup>8</sup> as a percentage of projected operating expenses over the 15-year or 20-year pro-forma analysis shall not exceed 10%.
- TRENDING/VACANCY -
  - 1% increase in rental income for years 1-5
  - 2% increase in rental income for years 6-15 (or yrs 6-20 as applicable)
  - 3% increase in expenses for years 1-15 (or yrs 1-20 as applicable)
  - 2% (or 3% as applicable) increase in replacement reserves for years 1-15 (or yrs 1-20 as applicable)
  - 6% increase in utilities for years 1-5; 3% increase in utilities for years 6-15 (or yrs 6-20 as applicable)
  - 5% increase in taxes for years 1-15 (or yrs 1-20 as applicable) (only for projects that do not have a Payment in Lieu of Taxes); otherwise, 3% increase in taxes for years 1-15 (or yrs 1-20 as applicable)
  - 8% minimum vacancy rate for years 1-15 (or yrs 1-20 as applicable)

All underwriting standards are baseline starting assumptions and are subject to increase or decrease based on project specifics including project history, project location, project type, population served, and written confirmation from debt and equity providers that alternative underwriting standards are acceptable and appropriate. In cases where alternative standards are reasonable and appropriate, the Draft Memorandum sent to USDA and HUD will indicate any variances and the corresponding basis for utilizing alternative standards.

<sup>7</sup> When hard debt levels are small as a percentage of both total development cost and, in operating terms, annual operating income, a relatively "high" DCR (i.e. in percentage terms) results in modest nominal cash flows. This is particularly true in the early years of a long-term cash flow analysis carried out over such a development's compliance period since the application of operating cost inflation factors that exceed rental income inflation results in declining cash flow and DCR over time. While this may allow a DCR above 1.45 or cash flow in excess of 10% of projected operating expense in a given project and a given year, it does so only to ensure that the project can sustain appropriate cash flows in later years of a project's 15-year or 20-year life cycle.

<sup>8</sup> See footnote 7.

It is anticipated that these standards will be reviewed and adjusted where applicable and accepted by MSHDA, USDA, and HUD on an annual basis to enhance consistency with industry practices and trends.

**ATTACHMENT A**  
Agency Roles and Contact Information

<b>SLR Agency Roles</b>	
<b>Agency</b>	<b>SLR Agency Role</b>
Michigan State Housing Development Authority (MSHDA)	Lead Agency
United States Department of Agriculture Rural Development (USDA RD)	Confirming Agency
United States Department of Housing and Urban Development (HUD)	Confirming Agency

<b>Specific Roles &amp; Contact Information</b>				
<b>Name</b>	<b>SLR Role</b>	<b>Agency</b>	<b>Phone</b>	<b>E-mail</b>
	1 <sup>st</sup> Primary Contact Person	MSHDA		
	2 <sup>nd</sup> Primary Contact Person	MSHDA		
	1 <sup>st</sup> Primary Contact Person	USDA RD		
	2 <sup>nd</sup> Primary Contact Person	USDA RD		
	1 <sup>st</sup> Primary Contact Person	HUD		
	2 <sup>nd</sup> Primary Contact Person	HUD		