



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

AMY HOVEY
EXECUTIVE DIRECTOR

October 13, 2026

Mr. Corey J. Levin
Honigman LLP

via e-mail to
clevin@honigman.com

Re: Lathrup Village (the "Development")

Dear Mr. Levin:

You have requested the Michigan State Housing Development Authority (the "Authority") to respond to several concerns expressed by the City Council or interested citizens of the City of Lathrup Village (the "City") regarding the Development.

The Development is the first project to be awarded financing under the Authority's new Accelerator Fund program (the "AF Program"). The AF Program is designed to increase housing production by providing long-term financing for projects that are not participating in the federal low-income housing tax credit program, through the use of Authority tax-exempt bonds, and added support in the form of short-term, low-cost subordinate financing. The AF Program requires an affordability component that restricts at least 20% of the units to households with incomes that do not exceed 50% of area median income ("AMI"), as published by the U.S. Department of Housing and Urban Development ("HUD") for the county or metropolitan area in which the property is located. Tax-exempt bond financing under the AF Program is typically structured with a 40-year, fully amortizing term and a fixed interest rate.

Our lending parameters require the sponsor to demonstrate municipal support by the adoption of an ordinance granting tax exemption and a payment in lieu of taxes ("PILOT"), with a duration (or term) at least as long as the Authority's longest loan maturity. If the PILOT duration is less than the Authority's longest loan maturity, the loan that normally has a 40-year term will have a balloon date that is coterminous with the PILOT. The AF Program financing for the Development was initially offered and has consistently been contemplated as a 40-year loan. After our legal division's review of the City's workforce housing ordinance (the "Ordinance"), the 15-year limit was flagged and other concerns were raised (including a termination provision), and in discussions with the Surnow Company, the sponsor for the Development, it was agreed that we would proceed with Authority approval for a 30-year loan (based on the maximum number of extensions available), but with the right to call the loan after 15 years if the PILOT exemption was not extended. This approval would allow Authority staff to move forward with preparations for closing, and for the sponsor to secure all items necessary to close, while the sponsor sought an amendment to the City's Ordinance that would more closely align it with Authority's lending and AF Program requirements.

The closing process for an Authority-financed transaction is typically 6-12 months following board approval, although it is expected that the time frame will be substantially less for loans made under the AF program. Once approved, the attorney begins to draft loan documents and collect due diligence materials from the borrower. The borrower and its attorney prepare various closing certificates, resolutions and opinions that must be reviewed. Internal sign-offs from the Authority's underwriting staff are collected. The written loan commitment is issued, and a loan package is prepared for the Michigan Attorney General for review. After this review is completed, loan documents are finalized and the initial disbursement of loan funds occurs. In the case of the Development, the sponsor's management agent has no previous experience with Authority-financed projects; additional time has been needed to identify and bring an experienced management agent into the transaction. If the City's Ordinance is amended to align with the Authority's underwriting requirements, including a by-right extension of the PILOT exemption for a duration of 40 years, the Authority will issue a modification of the loan's terms for the Development that will be incorporated into the final written loan commitment and the loan documents prepared for closing.

Units that are restricted to tenants whose household income is no more than 50% of AMI are also subject to a rent restriction that limits the monthly household expense (rent plus imputed utilities) to 1/12th of 30% of 50% of AMI. Workforce housing units, which are restricted to tenants whose household income is no more than 120% of AMI, are subject to a rent restriction that limits the monthly household expense (rent plus imputed utilities) to 1/12th of 30% of 120% of AMI. Again, these limits are published annually by HUD and are adjusted for family size. Based on the current limits for Oakland County, the total housing expense (including tenant-paid utilities) for a 2-person household at 50% of AMI may not exceed \$1,048. The total housing expense (including tenant-paid utilities) for a 2-person household at 120% of AMI may not exceed \$2,517.

A question was raised regarding whether the Development would receive Section 8 rental subsidies. The answer is no. The data chart attached to the report approved by the Authority's board incorrectly listed 116 units as Section 8; they are in fact restricted to 120% of AMI and will not receive any federal or state rental subsidy. This error will be corrected.

We would be happy to answer any other questions you or the City Council members may have.

Sincerely,

Clarence L. Stone, Jr.

Clarence L. Stone, Jr.
Chief Legal Affairs Officer