

STATE OF MICHIGAN

DRAFT CONSOLIDATED ANNUAL PERFORMANCE AND EVALUATION REPORT

Program Year 2009

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Prepared by the

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EXECUTIVE SUMMARY

The State of Michigan's Consolidated Annual Performance and Evaluation Report (CAPER) is submitted pursuant to a U.S. Department of Housing and Urban Development (HUD) rule (24 CFR Part 91). This document serves as a progress update on meeting the State's goals related to the Community, Planning and Development (CPD) programs:

- Community Development Block Grants (CDBG)
- Home Investment Partnerships Program (HOME)
- Emergency Shelter Grants (ESG)
- Housing Opportunities for Persons with AIDS (HOPWA)

In Michigan, The Michigan Economic Development Corporation (MEDC), through the Michigan Strategic Fund, administers the CDBG Program. A portion of 2009 CDBG funds was awarded to the Michigan State Housing Development Authority (MSHDA) for affordable housing and community development activities. MSHDA also administers the HOME Program and the ESG Program. The Michigan Department of Community Health administers the HOPWA Program.

These CPD programs are integral components of broader efforts by the State through these agencies to support the development or revitalization of communities throughout the State of Michigan. The State requested and HUD approved a change to its Consolidated Plan program year period in 2009. Accordingly, the 2009 program year was extended by six months through June 30, 2010. During the 2009 program year, January 1, 2009 through June 30, 2010, and as outlined in the Consolidated Plan and 2009 Action Plan, Michigan pursued five broad strategies for allocating available resources for housing and community development activities and one broad strategy for economic development activities. The strategies include:

1. Expand the availability and supply of safe, decent, affordable, and accessible rental housing for low and extremely low-income individuals and families;
2. Improve and preserve the existing affordable housing stock and neighborhoods;
3. Increase homeownership opportunities for individuals and families by reducing the costs of homeownership;
4. Make homeless assistance more effective and responsive to local need through local autonomy and movement toward a continuum of care;
5. Develop linkages between the housing and service sectors to provide greater housing opportunities for households special needs; and,
6. Establish a suitable living environment and expand economic opportunities for low and moderate-income people through economic and infrastructure development.

The total federal 2009 allocation administered through the respective State agencies is \$62.9 million.

Program	2009 Funding
Community Development Block grant (CDBG)	\$35,945,450
HOME Investment Partnership (HOME + ADDI)	\$23,229,842
Emergency Shelter Grants (ESG)	\$2,821,645
Housing Opportunities for Persons with AIDS (HOPWA)	\$980,158
Total	\$62,977,095

The State's performance during the 2009 program year has met most and exceeded many of its performance goals (see Appendix 1). The current reporting period covered by this CAPER is year five of five of the 2005-2009 State of Michigan Consolidated Plan.

Questions and comments on the content in this report may be directed to:

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STATE OF MICHIGAN

2009 CAPER NARRATIVE STATEMENTS

1. GENERAL NARRATIVE STATEMENTS

a. Assessment of Three to Five Year Goals and Objectives

All activities undertaken during the 2009 program year address one or more of the goals identified in the State of Michigan Consolidated Plan. Specific activities are identified by goal below.

Goal 1. Expand the availability and supply of safe, decent, affordable, and accessible rental housing for low and extremely low income individuals and families:

The Michigan State Housing Development Authority (MSHDA) utilizes HOME funding for a variety of rental housing activities. HOME rental housing programs, administered through the Office of Rental Development and Homeless Initiatives, provides funding for projects in MSHDA's pipeline which require gap financing for feasibility and provides funding for the development of permanent supportive rental housing for people with special needs, victims of domestic violence and the homeless.

Goal 2. Improve and preserve the existing affordable housing stock and neighborhoods:

MSHDA provides HOME and CDBG funds, administered through local units of government, to improve investor-owned properties and owner occupied properties. MSHDA provides HOME funding to local units of government and non-profit organizations to acquire, rehabilitate, or build new single family units for resale to low income homebuyers. MSHDA also provides funding (HOME and CDBG) to local units of government for a comprehensive neighborhood revitalization program called the Neighborhood Preservation Program. A HOME Rental Housing Program, administered through the Office of Asset Management, provides funding for the preservation of MSHDA financed multi-family developments that transfer ownership or extend the low income character of the development with the existing owners.

In addition, MEDC provides CDBG funds, administered through local units of government, to improve downtown areas by providing planning/marketing programs, assisting with public infrastructure improvements necessary to accommodate a new or expanding business, and to assist with acquisition of key downtown buildings resulting in building rehabilitation activities leading to job creation. MEDC also provides CDBG funds for exterior façade improvements to assist communities in the prevention of additional deterioration of their downtown areas in an effort to attract additional businesses and customers and provide residents with a better living environment.

Goal 3. Increase homeownership opportunities for individuals and families by reducing the costs of homeownership:

MSHDA provides HOME funding to local units of government, and non-profit organizations to provide downpayment assistance to low income homebuyers. Community Development Block Grant (CDBG) funds are also used for downpayment assistance programs through local units of

government. MSHDA's HOME Choice provides downpayment assistance to persons with disabilities in the purchase of a home. MSHDA also provides HOME funding to local units of government and non-profit organizations to acquire, rehabilitate, or build new single family units for resale to low income homebuyers.

Goal 4. Make homeless assistance more effective and responsive to local need through local autonomy and movement toward a continuum of care:

MSHDA provides Emergency Shelter Grant (ESG) funding to community based agencies and organizations. ESG funds are awarded through a state-wide formula based allocation in conjunction with a community-based Continuum of Care planning process. These funds support a broad array of eligible activities, including homelessness prevention, shelter operations, and essential services.

MSHDA provides HOME funding for the Chronic Homeless, Survivors of Domestic Violence and Homeless Families with Children initiatives, administered through the Office of Rental Development and Homeless Initiatives, for the development of permanent supportive rental housing and for tenant based rental assistance for people who are homeless.

Goal 5. Develop linkages between the housing and service sectors to provide greater housing opportunities for households with special needs:

MSHDA utilizes HOME funding for programs that provide greater housing opportunities for households with special needs. The Chronic Homeless, Survivors of Domestic Violence and Homeless Families with Children initiatives, administered through the Office of Rental Development and Homeless Initiatives provides funding for the development of permanent supportive rental housing for people who are homeless. MSHDA's HOME Choice provides downpayment assistance to persons with disabilities in the purchase of a home. The Michigan Department of Community Health (MDCH) provides Housing Opportunities for Persons with AIDS (HOPWA) funding for housing assistance (tenant-based rental assistance or short-term rent, mortgage, utility assistance) to qualified households with a person living with HIV/AIDS. All households that receive housing assistance must have a housing plan for maintaining or establishing stable on-going residency. Additional assistance is provided through Permanent Housing Placement Services (up to two months rent toward move-in costs – security deposit, credit or background checks) and Housing Information Services which can include housing counseling, housing advocacy, information and referral services and housing search and assistance.

Goal 6. Establish a suitable living environment and expand economic opportunities for low and moderate income people through economic and infrastructure development.

The Michigan Economic Development Corporation (MEDC) enhances economic development efforts in Michigan's small communities by providing assistance through grants to eligible communities in support of needed infrastructure. The long-term objective is to support the efforts of counties, cities, villages and townships in meeting the needs of the private sector as they seek to locate in small communities and create jobs for Michigan workers. This is accomplished through CDBG grants to local communities for economic development activities including the construction of public infrastructure and activities serving private businesses for economic development activities when such efforts are likely to result in the creation and or retention of jobs in the private sector. The objective of this goal is also to lend support for

economic development planning efforts, and economic development assistance for private and/or non-profit business development. In all cases at least 51% of the jobs will be held by or made available to low and moderate income persons.

The Michigan Economic Development Corporation (MEDC) provides assistance to Michigan's eligible communities by providing grants to improve the traditional downtown business district through the Community Assistance Team. The Infrastructure and Signature Building programs require that at least 51% of the jobs will be held by, or made available to, low and moderate income persons. The Planning/Marketing and Capacity Enhancement Programs are awarded based on the premise that the planning study is likely to lead to the attraction/retention of businesses and that at least 51% of the jobs will be held by, or made available to, low and moderate income persons. The Façade Program requires that either a community consists of at least 51% low and moderate income persons or that at least 51% of the jobs will be held by, or made available to, low and moderate income persons. The Land Assembly program requires the removal of blight. All six programs are designed to increase the availability/accessibility of economic opportunities in Michigan's small downtown areas in order to revitalize their living/working environments and improve the quality of life within each community, with an emphasis on the low and moderate income persons.

b. Affirmatively Furthering Fair Housing

The State of Michigan continued to implement activities addressing the State of Michigan Analysis of Impediments (AI), promote fair housing, and affirmatively further fair housing choice during the program year January 1, 2009 through June 30, 2010. The State of Michigan's AI identified the need for ongoing fair housing education and outreach to mitigate the finding that housing consumers and housing providers are unfamiliar with the full scope of federal and state fair housing laws.

The State of Michigan conducted the following activities in 2009:

Michigan Strategic Fund

- Fair housing information was provided to all CDBG non-housing grantees in non-entitlement areas.

The Michigan CDBG Grant Administration Guide Civil Rights, Equal Opportunity, and Fair Housing was provided to and discussed with CDBG economic development grantees including local officials, consultants, and staff members responsible for administering approved CDBG projects. The Guide includes affirmative action steps for fair housing such as review of local zoning laws with recommended changes to enhance fair housing, promote community efforts to enact fair housing laws, and establish public information and educational programs. The Michigan Strategic Fund through the Grant Administration Guide encouraged local communities to adopt a civil rights policy/resolution that included provision for fair housing opportunity.

- State CDBG staff met with active CDBG grantees in the local community. Meetings included formal on-site monitoring reviews and technical assistance. As part of these local meetings and reviews, staff provided specialized technical assistance on CDBG

program requirements and grant management procedures. Special attention was given to fair housing initiatives. During the 2009 program year, 57 local on-site monitoring and technical assistance reviews were conducted.

- The Community Assistance Team (CA Team), which administers the downtown development activities, provided fair housing information to all CDBG non-housing grantees in non-entitlement areas.

Michigan State Housing Development Authority (MSHDA)

Housing: MSHDA was a sponsor of the 22nd and 23rd Annual Fair Housing Luncheon and Workshop Series, which was conducted by the Fair Housing Center of Western Michigan. The 22nd event was held on April 22, 2009 and the 23rd event was held on April 22, 2010. MSHDA also helped sponsor the Twelfth Annual Fair Housing Leadership Awards Reception, which was conducted by the Fair Housing Center of Metropolitan Detroit on September 24, 2009. This event recognized housing industry people and firms that have worked with the industry to promote fair housing opportunities.

The Michigan Conference on Affordable Housing was held twice during this extended program year, on June 1-3, 2009 and April 26-28, 2010 with approximately 1200 individuals attending both years. Specific training at the both conferences related to fair housing were:

1. Homeownership track included sessions on predatory lending, increasing minority homeownership, creating homeownership opportunities for persons with disabilities, and utilizing the Homeownership Counseling Network.
2. Asset Building track included sessions on helping working families achieve financial security, effective credit repair, and matched savings programs.

In addition, MSHDA undertook the following activities in 2009 to educate and inform state recipients, local units of government and nonprofits on the topics of Fair Housing and Affirmative Marketing:

1. Fair Housing training is a core agenda item for MSHDA's Office of Community Development (OCD) grantees training that are held throughout the program year. Three OCD policy bulletins were updated and distributed to MSHDA grantees on the topics of Fair Housing requirements; Affirmative marketing, and Complaint Procedures and Conflict Resolution. A "Fair Housing" packet was created for distribution to MSHDA grantees.
2. Homeownership counseling services are available in every Michigan jurisdiction.
3. Distributed copies of "Fair Housing, Equal Opportunity for All" for distribution at workshops, trainings, and conferences.
4. Grant Program support of fair housing choice. MSHDA's OCD promotes fair housing in its state and federally funded housing grant program through the following actions:
 - a. Certification by each grant applicant of fair housing activities to be undertaken during the term of an OCD grant.
 - b. Compliance with fair housing laws is a required provision of all OCD grant agreements. Compliance training on all "other" requirements: Environmental review, Fair Housing, Davis Bacon, URA, et al.
 - c. On-site Compliance monitoring of fair housing performance.
 - d. Required "Grant Administration Training" for all active grantees that include a review of Fair Housing laws, requirements, documentation of compliance, and

the dissemination of fair housing materials and suggested activities for fair housing promotion.

- e. Mandatory staff training on fair housing requirements.
- f. Mass mailing to all grantees during “Fair Housing Month (April) encouraging fair housing promotional activities.
- g. Efforts to improve housing conditions and housing opportunities within areas of minority concentration through the use of targeted investment strategies.
- h. Distributes Fair Housing Coach (newsletter) articles on marketing your community, national origin, persons with disabilities, students, marital status, rejecting applications and HUD fair housing investigation.

c. Affordable Housing

Affordable housing needs within the State of Michigan greatly exceed the resources available to address those needs. The five year strategic plan identifies six goals and the level of priority assigned to renter and homeowner households by income category; i.e., extremely low, very low, and low income households. The following charts identify the number of units assisted with HOME, CDBG and MSHDA financing, statewide, by tenure, household income, and priority level.

Units Completed - Section 215 Affordable Housing Definition

	Total # of Units	HH AMI $0 \leq 30\%$	Priority	HH AMI $>30 \leq 50\%$	Priority	HH AMI $>50 \leq 60\%$	Priority	HH AMI $>60 \leq 80\%$	Priority
Home Owner	92	20	H	40	H	0	H	32	M
Home Buyer	418	85	H	239	H	0	H	94	M
Rental Development	496	249	H	129	H	66	H	52	M
Rental Rehabilitation	57	42	H	14	H	0	H	1	M
TBRA	596	591	H	4	M	0	M	1	L
Totals	1659	987	n/a	426	n/a	66	n/a	180	n/a

Total Affordable Housing Units Completed

	Total # of Units	HH AMI 0 ≤ 30%	Priority	HH AMI >30≤ 50%	Priority	HH AMI >50≤ 60%	Priority	HH AMI >60≤ 80%	Priority	HH AMI ≤ 80%
Home Owner	606	187	H	237	H	0	H	182	M	0
Home Buyer	1212	88	H	297	H	0	H	733	M	94
Rental Development	550	249	H	139	H	111	H	51	M	0
Rental Rehabilitation	107	78	H	23	H	0	H	6	M	0
TBRA	596	591	H	4	M	0	M	1	L	0
Totals	3071	1193	n/a	700	n/a	111	n/a	973	n/a	94

Addressing Worst Case Housing

We can not measure how our affordable housing efforts specifically address worst case housing needs. As stated in the Consolidated Plan, it is difficult to estimate the worst case housing need for the state. Cost burden is the predominant problem among households with housing need in the state. Our rental programs provide financing to achieve affordable rents for lower income households. Our homebuyer programs provide funding for the purchase of affordable housing by lower income households. Our homeowner programs provide funding to improve the condition of the homeowners property. The properties are not necessarily substandard by HUD’s definition but are improved to at least meet Section 8 HQS standards. In many cases the improvements lower the owner’s utility bills making the home more affordable.

Addressing Needs of Persons with Disabilities

The Office of Rental Housing and Homeless Initiatives provided HOME funding for the development of permanent supportive rental housing for people with special needs, especially those who are homeless or at risk of homelessness. The Home Choice provides funding for downpayment assistance to disabled households. The Tenant Based Rental Assistance Initiative provides TBRA to homeless populations.

The HOPWA program provides assistance to persons living with HIV/AIDS which can include persons at risk of losing their home (mortgage or rent) or who are currently homeless through the use of TBRA and STRMU.

d. Continuum of Care

The State is not required to have a Continuum of Care strategy. However, the State supports the continuum concept by providing technical assistance for the development of local continua of care and the Balance of State continuum. Additionally, applicants for the State’s Emergency Shelter Grant Program must be part of a local Continuum of Care to be funded.

It should be noted that the State makes application for competitive Supportive Housing Program (SHP) funds and renewals of its Shelter Plus Care (S+C) program funds through the Balance of State continuum. The Michigan State Housing Development Authority (MSHDA) and the Michigan Homeless Assistance Advisory Board (MHAAB) representatives have worked diligently to foster collaborative relationships with private and public sector stakeholder groups and to recruit key personnel from those entities to serve on the Balance of State Continuum of Care planning body. While some members are assigned by their respective organizations, the majority volunteer their time. There are twenty regular members representing both private and public stakeholders.

The Balance of State Continuum sponsors the applications for funding by stakeholders in geographic locations of the State that do not apply directly to HUD under the SHP and S+C programs. The MHAAB provides the leadership and decision making body for the Balance of State Continuum of Care. It develops annual action Plans, establishes funding priorities, engages local continua representatives in planning dialogue, and promotes inter-agency collaboration.

The Michigan Homeless Assistance Advisory Board (MHAAB), on behalf of the Balance of State (rural) communities, applied for a combined \$7,415,327 in Supportive Housing Program (SHP) and Shelter Plus Care (S+C) Homeless Assistance Grant funding in the 2009 national competition. MHAAB was awarded \$7,415,327. This amount included funding for all program renewals and one new Permanent Supportive Housing bonus project for \$487,128. It is anticipated that MHAAB will apply for \$7,949,547 in Homeless Assistance Grant funding during the 2010 competition.

It should also be noted that the state as a whole received a record amount of \$4,993,584 in Homeless Assistance Grant bonus funding for twenty-one (21) new Permanent Supportive Housing projects. Bonus projects are only awarded on a competitive basis to those CoCs that score above a nationally determined funding threshold line as established by HUD.

e. Other Actions

No other actions were required or taken by the State in 2009.

f. Leveraging Resources

The State encourages leveraging of federal resources in its programs. In 2009, \$2,354,086 was leveraged with the Consolidated Plan funds used for homeowner activities, \$23,823,792 was leveraged for rental activities, and \$26,654,357 leveraged for homebuyer activities. The downtown activities leveraged additional downtown investment of \$15,099,048. Economic and community development activities leveraged \$35,807,741 of other public funds and over \$143,654,741 in private investment.

The State met its match requirement for the HOME program with past contributions from MSHDA funds, bond financing, and foregone property taxes. The State met its Emergency Shelter Grant program match with MSHDA funds.

g. Citizen Comments

Citizen comments received on the State of Michigan Consolidated Plan were included in the submission dated May 14, 2010.

h. Self-Evaluation

The State believes the activities and strategies funded through the Consolidated Plan are making an impact on identified needs. The demand for the programs funded under CDBG, HOME, ESG and HOPWA remain greater than the funding available. Commitment and disbursement of funds are proceeding on a timely basis. As demonstrated by the 2009 production numbers, federal funding is being used to accomplish the major goals cited in the State of Michigan Consolidated Plan. The overall goals of providing affordable housing and a suitable living environment are being accomplished with our homeowner, homebuyer and rental housing development programs. The goal of providing housing and/or assistance to persons with disabilities, the homeless and persons with HIV/AIDS are being funded through the Rental and Homeless Housing Programs and the HOPWA Program. The goal of expanding economic opportunities for low and moderate income persons is being met with the CDBG economic development program. All CDBG downtown programs are designed to increase the availability/accessibility of economic opportunities in Michigan's small downtown areas in order to revitalize their living/working environments and improve the quality of life; with emphasis placed on assisting low and moderate income persons. The State does not believe an adjustment to its strategies is needed at this time.

i. Performance Measurement

On March 7, 2006, HUD published a Notice on the Outcome Performance Measurement System for Community Planning and Development's Formula Grant Program. Essentially, this Notice created a standardized reporting system for all jurisdictions across the country to use for performance measurement besides the Integrated Disbursement and Information System (IDIS). The effective date for implementation for performance measures coincided with the 2007 State of Michigan program year. The Michigan State Housing Development Authority, the Michigan Economic Development Corporation and the Michigan Department of Community Health are the three State administering agencies of the four formula programs covered by the Notice. Staff developed performance measures for the major components under each of the four formula programs. These measures were stated in the State of Michigan 2009 Consolidated Plan submitted on November 12, 2008. Program measurement implementation began with the 2007 program year. The results of the third year are identified in Appendix 1.

The State's performance during the 2009 program year has met or exceeded some of its performance goals however; certain goals were negatively impacted by the economic conditions within the state as a whole. The State uses an application method of distribution for its programs and, in some cases where the projected goals were not met, the number of applications received were either less than expected or of insufficient quality to meet threshold criteria. Additionally, the economic conditions of the state have resulted in the abrupt reduction in investors willing to invest in the LIHTC program which in turn has a direct impact on multifamily rental production assisted with HOME funds. The exacerbated foreclosure problem in Michigan has resulted in a harsh climate for the sale of rehabilitated or new construction homes produced by our community development corporation and local unit of government partners. As might be expected in this economic downturn, we have fared better in meeting

the goals established for homeless initiative although much more funding is needed for essential services, foreclosure prevention and for supportive services. The State will endeavor to improve its specific outcome indicators as we move forward with the performance measurement criteria identified by HUD.

2. COMMUNITY DEVELOPMENT BLOCK GRANT NARRATIVE STATEMENTS

a. Relationship of the use of CDBG funds to the priorities, needs, goals and specific objectives identified in the Consolidated Plan.

Housing and Community Development

CDBG Housing funds are used to fund locally administered homeowner rehabilitation programs statewide. CDBG funds are also used to fund Neighborhood Preservation Programs, Downpayment Assistance Programs, and Rental Development and Rental Rehabilitation activities. In 2009, \$16,454,400 of CDBG funds was awarded to local programs. In 2009, CDBG funds assisted in the purchase of 13 homebuyer units, the rehabilitation of 514 homeowner units, and the rehabilitation of 52 rental units. This use of CDBG housing and community development funds addresses Goals Two and Three identified in the State of Michigan Consolidated Plan.

Economic and Downtown Development

Long Term Objective and Strategy: Enhance economic development efforts in Michigan's small communities by supporting their efforts to provide assistance to private businesses in creating and retaining jobs for Michigan workers. The long-term objective is to support the efforts of counties, cities, villages and townships in providing direct and indirect assistance to for profit private business firms starting up, locating or expanding in small communities. This is accomplished through grants to local communities for the construction of public infrastructure serving private businesses for community and economic development activities when such efforts are likely to result in the creation and or retention of jobs in the private sector. This objective also lends support for economic development planning efforts. In all cases at least 51% of the jobs will be held by or made available to low and moderate income persons at time of hire.

Under the 2009 CDBG program year Michigan allocated \$21,056,370 to economic and community development infrastructure and planning grants. Over the course of the 2009 program year Michigan awarded 20 grants for \$12,869,730 to small communities throughout the state. Of these projects 16 were for economic or community development infrastructure projects. There were also 4 projects for economic or community development planning activities expected to lead to job creation. The 16 projects that provide infrastructure to benefit businesses locating or expanding within communities are expected to result in the creation of at least 857 jobs of which at least 51% of these jobs would be held or made available to low and moderate-income persons. The average anticipated cost per job for approved infrastructure projects is \$15,017. The use of CDBG economic development funds addresses Goal Six in the Michigan Consolidated Plan.

CDBG Downtown funds are used to provide grants to eligible local communities to improve the traditional downtown business district. In 2009, 33 projects were approved totaling \$8,702,004.

The project portfolio consists of 11 Façade Projects, 17 Infrastructure Projects, and 43 Signature Building Projects. The use of CDBG downtown development funds addresses Goal Two in the Michigan Consolidated Plan.

CDBG Infrastructure Capacity Enhancement are used to provide needed infrastructure improvements to communities that have a population that is at least 51% low and moderate income persons. During 2009 eligible local communities had 99 projects approved totaling \$37,671,052.

Under the CDBG-R initiative, there were two projects funded totaling \$4,800,000.

b. Description of Changes in Program Objectives

No changes are anticipated in the State of Michigan's CDBG programs for housing, community development or economic development.

c. State of Michigan efforts to carry out planned actions identified in HUD-approved Consolidated Plan

The State of Michigan has carried out the planned actions described in the CDBG Action Plans for Housing and Community Development and Economic Development. The action plans state that leveraging will be encouraged; the results are identified under the Leveraging Resources narrative on page 7 of this report.

The State of Michigan provided all requested certifications of consistency with its Consolidated Plan, including the certifications of consistency with local, non-entitled PHA annual and five year plans.

The State of Michigan did not hinder the implementation of its Consolidated Plan by action or willful inaction.

d. National Objectives N/A

e. Displacement/Relocation

The State takes all reasonable steps to minimize displacement, such as encouraging the reuse of vacant buildings, restricting rent increases, and providing in-depth technical assistance to assure that required notification and advisory services procedures are being followed. A description of how displacement/relocation affects each CDBG activity is described below.

Housing and Community Development: The CDBG funded housing programs do not cause displacement. Under these programs, properties must be owner-occupied, vacant or, if tenant occupied, rent restrictions are enforced. Under the downpayment assistance program, properties must be owner-occupied or vacant. Rental units are not eligible. All sales are voluntary and are negotiated between the seller and the state recipient or grantee, without the threat of eminent domain or condemnation. Grantees must inform the owner, in writing, of the following: 1) that it will not use (or does not have) the power of eminent domain to acquire the property if negotiations fail in an amicable agreement and 2) the grantee's estimate to the fair market value to the property. When feasible, the grantee will provide the notifications to the

seller prior to execution of the purchase agreement. Therefore, grantees generally require that prospective homeowners consult with them before executing a purchase agreement or sales contract so that the appropriate notifications can be made in a timely manner. When notification is provided after the purchase agreement or sales contract is negotiated, the seller is allowed to withdraw from the purchase agreement after receipt of the notification.

Downtown and Economic Development: The CDBG funded Downtown and Economic Development Programs do not normally approve projects that involve the acquisition, relocation or rehabilitation of occupied properties. If such a project is approved, the grantee is advised and required to comply with the Uniform Act and Relocation Requirement. Grantees are also required to comply with Section 104(d) of the Housing and Community Development Act when acquiring low and moderate income households. A state level specialist is available to assist grantees on projects involving these activities.

f. Economic and Community Development Job Benefit and Program Income

Economic Development Job Benefit

Under Michigan CDBG Economic Development Projects at least 51% of the people benefiting through either job creation or job retention must be from low and moderate- income households. Under the job creation projects at least 51% of the jobs created must be made available to or held by persons from low and moderate households. Actual low and moderate-income benefit is documented by the businesses receiving benefit from the project through the use of a low and moderate income certification form.

As part of the CDBG application all private firms benefiting from CDBG grant funds are required to submit a plan which details the manner through which the company intends, to the maximum extent feasible, to make 51% of their jobs available to people from low and moderate income households. All applicants are required to describe the type and number of jobs that they expect to be created.

Downtown Development

The Downtown projects that were awarded based on job creation must result in at least 51% of the jobs created being made available to or held by low and moderate income persons based on their overall household income level at the time of hire. Actual low and moderate income benefit is documented by the businesses receiving benefit from the project through the use of a low and moderate income certification form. All benefiting businesses are required to describe the type and number of jobs expected to be created and to submit an employment plan as part of the application process. All businesses are also required to sign an acknowledgement and certification of beneficiary section within the grant agreement stating the number of jobs anticipated to be created, that they agree to use the income certification forms to verify the job creation requirements are met, and that the company intends, to the maximum extent feasible, to make 51% of the jobs created available to low and moderate income persons.

Program Income

Economic Development: Under the 2009 program year Michigan received \$1,981,429 in repayments from CDBG economic development loans, infrastructure grant repayments, and prospective loan project payments. As of December 2008, the CDBG economic development loan portfolio contains 16 loans with an outstanding principal balance of \$7.9 million.

The economic development loan portfolio contains 20 prospective industrial park loans with an outstanding principal balance of \$5.4 million. Repayments on these loans are deferred for five years. Grantees are allowed to earn up to \$50,000 forgiveness for each job created as a result of these projects. Each project has a specific cap limiting the maximum dollar amount on the loan forgiveness. During this report period no loans were written off due to non payment. The Michigan CDBG economic development program did not receive any income from the sale of property.

Downtown Development: Under the 2009 program year, Michigan received no program income from the sale of property, earned interest, or income generated on properties acquired with CDBG Downtown funds. However, all grant agreements for Signature Building, Façade, and Land Assembly Projects contain a program income/resale policy to ensure that compliance with the Program Income/Resale Policy during a five year time period is met. Reporting periods and timeframes were established to ensure that the program income/resale policy is followed.

Housing: Under the 2009 program year, Michigan received \$2,065,134 in repayments from CDBG assisted housing activities.

Production Numbers for CDBG Assisted Projects

A full reporting of the projects/units completed in the program year is given in the 2009 CDBG Performance Evaluation Report (see Appendix 2).

3. HOME NARRATIVE STATEMENTS

a. Analysis of the extent to which HOME funds were distributed among different categories of housing needs identified in the Consolidated Plan.

The Michigan HOME program, as implemented by the Michigan State Housing Development Authority (MSHDA), actively responds to Goals 1-5 identified in the Michigan Consolidated Plan. The Michigan HOME program responds to the other housing needs identified in the Plan through a variety of innovative programs that increase the availability of affordable housing and strengthen Michigan neighborhoods.

MSHDA has committed \$9 million of the state's HOME allocation for various community development activities funded through its Office of Community Development. These funds are made available to neighborhood based nonprofit organizations and local communities to address affordable housing and community revitalization needs. These funds can be used by nonprofits or local communities to support individual housing projects or for local housing programs to implement a number of projects. During this reporting period (1/1/09-6/30/10), funding has been awarded for the following components:

- HOME Homebuyer Programs: This component is designed to expand homeownership opportunities for low-income homebuyers through acquisition, rehabilitation or new construction of single-family units. MSHDA committed \$3,981,426 to nonprofit organizations and local communities during the 2009 program year. The HOME homebuyer program responds to the housing needs identified under Goals 2 and 3 of the Michigan Consolidated Plan.
- HOME Homeowner Program: This component is designed to assist homeowners with incomes at or below 80% of the area median income to improve their principal residence with repairs. MSHDA committed \$1,511,700 to nonprofit organizations or local communities during the 2009 program year. The HOME homeowner program responds to the housing needs identified under Goal 2 of the Michigan Consolidated Plan.
- HOME Rental Rehabilitation Program (HRRP): This component is designed to help a local unit of government provide funding assistance to improve investor-owned properties. MSHDA committed \$1,710,000 to local units of government during the 2009 program year. The HRRP responds to the housing needs identified under Goal 2 of the Michigan Consolidated Plan.
- CHDO Operating Assistance MSHDA has committed \$1,204,709 in CHDO operating assistance to 37 Community Housing Development Organizations (CHDOs) during this reporting period. These grants will increase the stability and capacity of CHDOs, helping them respond especially to the needs described in Goals 1, 2, 4 and 5.

MSHDA has committed \$12.4 million of the state's HOME allocation to fund multi-family rental housing through its Office of Rental Development and Homeless Initiatives (RDHI). Funding is provided for projects in MSHDA's pipeline, including supportive housing, that require gap financing for feasibility. MSHDA committed \$12,462,686 during the 2009 program year. This program responds to the housing needs identified under Goals 1 and 2 of the Michigan Consolidated Plan.

HOME Tenant Based Rental Assistance (TBRA): During this reporting period (1/1/09-6/30/10), RDHII provided TBRA targeted to homeless populations. This component offers a transitional bridge to permanent housing for homeless households. MSHDA expended \$3,767,478 serving

596 tenants in collaboration with targeted service providers and local Continuum of Care bodies. TBRA responds to Goals 4 and 5 of the Michigan Consolidated Plan.

b. HOME Match Report, HUD– 40107-A

See Appendix 3.

c. Minority Business Enterprises and Women’s Business Enterprises, HUD Form 40107

See Appendix 4.

d. On-Site Rental Housing Inspections, Affirmative Marketing and MBE/WBE Outreach

- Multi-Family HOME Assisted Projects: During the reporting period, 1/1/09-6/30/2010, 3,773 units in 264 developments assisted with HOME were still in the compliance period. MSHDA’s Physical Inspection Contractors inspected 152 HOME assisted projects. MSHDA’s contractors conduct inspections on an annual basis using varying sample of the total number of units in a project. During the reporting period, 1,263 units were inspected in these 152 developments. 766 units were found to have violations. All units with findings were brought into compliance within 45-90 days of inspection.
- HOME Rental Rehabilitation Program (HRRP): During the reporting period, 1/1/09-6/30/2010, 161 units rehabilitated under the HRRP were still in the HOME required affordability period. 80 units were inspected. 69 units met Housing Quality Standards for rental housing; 11 units were found to have minor deficiencies. All 11 units with findings were brought into compliance within 30-45 days of the initial inspection.

Affirmative Marketing Actions

Affirmative Marketing relative to the HOME Investment Partnership applies to rental projects where five or more HOME assisted units exist and for new construction.

- Multifamily Development/Supportive Housing Rental Development

For any project of five or more units, the sponsor must submit an affirmative marketing plan for the units to be developed. In addition, the general contractor must submit a plan for the utilization of minority and women employees and minority and women-owned subcontractors.

When a MSHDA HOME-assisted multifamily development is underwritten by a MSHDA financed mortgage loan, these affirmative marketing and utilization plans are subject to approval by MSHDA as a part of its project underwriting process. MSHDA's requirements meet or exceed HOME requirements.

- HOME Rental Rehabilitation

For projects of five or more units, on-site monitoring includes a review of the local community's efforts to assure affirmative marketing of assisted units; available units are communicated to the County Family Independence Agency, the local Section 8 agent, and/or community-based organization serving persons with housing needs. In addition,

program monitors review the process used by the local community to vendor lists for soliciting bids, to assure that access is fair and open.

Outreach to Women and Minority Owned Business

Assessment of the Effectiveness of the State's Outreach

The attached form 4107 (see Appendix 2) illustrates the volume in minority and women owned business contracting during the reporting period. The State believes its outreach requirements imposed on grantees and developers is effective given the geographical distribution, project size and project type of projects closed out in 2009. The required equal housing opportunity plans submitted by the developers were reviewed and approved as being appropriate given the percentage of minority and women owned firms within the regional labor market.

Outreach Efforts

When the State of Michigan's HOME Investment Partnership allocates resources to a state recipient or grantee, contract language includes special conditions requiring written procedures for outreach to Minority and Woman Owned Business Enterprises (MBEs and WBEs) in conformance with the requirements of 24 CFR 92.350(5). MSHDA imposes considerable requirements on developers and general contractors in the utilization of MBEs and WBEs.

In a continuing effort to assure that MBEs and WBEs have equal opportunity to participate in HOME-funded projects, MSHDA is taking affirmative steps in various programs:

- **Community Development Programs:** (rental rehabilitation, rental development, homebuyer and homeowner) state recipients report on MBE/WBE utilization through quarterly progress reports to determine program-wide utilization. If a problem with under utilization is detected, grant-by-grant requirements may be imposed. Procurement procedures are reviewed as part of the grantee's annual on-site monitoring by the grant manager.
- **Contractors Assistance Program (CAP):** small contractors, interested in growing their business or increasing their capacity, are assisted through the CAP. In 2009, MSHDA invested \$302,000 of its own funds to continue the Contractor Assistance Program (CAP) to provide business training and working capital loans to small contractors, many of whom are minority or women owned businesses.
- **Multifamily Rental Development Programs:** For any project of five or more units, the general contractor must submit a plan for the utilization of minority and women employees and minority and women-owned subcontractors. These plans are subject to approval by MSHDA as part of its underwriting process.

4. HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA) NARRATIVE STATEMENTS

See Appendix 5 for a separate HOPWA CAPER report mandated by the HUD Washington Office of HIV Housing.

5. EMERGENCY SHELTER GRANT (ESG) NARRATIVE STATEMENTS

a. Report on Achievement of ESG Goals and Continuum of Care

In the 2009 program year, the Michigan State Housing Development Authority (MSHDA) distributed \$2,821,645 in federal Emergency Shelter Grant (ESG) funds to 71 community-based agencies and organizations. 100% of these federal funds were obligated within 180 days of their award date. No federal funds were withheld for administrative expenses, and MSHDA's governing authority contributed an additional \$5,000,000 in matching funds for ESG program activities for an additional 169 organizations. The chart below contains the 2009 distribution by category amounts:

Category	Amount
Essential Services	\$1,554,088
Homeless Prevention	540,651
Operating Expenses	726,906
TOTAL	\$2,821,645

Throughout 2009, MSHDA continued to make significant progress toward its primary goal for homeless programming within the Consolidated Plan (i.e., "make homeless assistance more effective and responsive to local need through local autonomy and movement toward Continuum of Care"). All ESG funds were awarded through a formula-based statewide process. Funds were distributed in 60 Continuum service areas, representing all 83 counties in the State. These funds supported a broad array of eligible activities, including homelessness prevention, emergency shelter/transitional housing operations, and essential services.

Throughout 2009, the Authority continued to work to end homeless in Michigan. Through MSHDA's 10-Year Campaign to End Homelessness, communities are collaboratively strategizing and developing best practice models that can be shared with others in their region. In the fall of 2009, MSHDA held its 4th Annual Summit to End Homelessness; there were over 30 sessions, all presented by Michigan providers showing new, best practice models. Michigan is the only state in the nation that has partnered at the state and local level to end homelessness.

b. ESG Matching Funds Requirement

In FY 2009 MSHDA received \$2,821,645 from HUD for Emergency Shelter Grant program activities. In this same period, MSHDA provided \$5,000,000 in its own direct matching funds for ESG activities carried out by projects throughout the State, well in excess of the State's minimum matching funds obligation. MSHDA withheld no federal ESG funds for administrative expenses.