

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
**OFFICE OF COMMUNITY DEVELOPMENT**

**SUBJECT: Eligible Housing Rehabilitation Improvements and Closing Costs**

**Policy Bulletin # 10**

**EFFECTIVE DATE: October 13, 2005 (Updated May 19, 2008)**

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This policy outlines the general criteria for eligible housing rehabilitation improvements and closing costs connected to first mortgage refinancing done in connection with a rehabilitation project, within the Office of Community Development (OCD).

**Eligible Housing Rehabilitation Improvements Must Be Improvements Which**

- Substantially protect or improve the property to Section 8 Housing Quality Standards (HQS), local codes, or improve energy efficiency.
- Meet applicable new construction or rehabilitation standards.
- Are necessary for persons with disabilities.
- Mitigate, control or abate lead-based paint hazards.
- Are not considered luxury items and are not of a quality above what is normally required.
- Correct overcrowded conditions necessary to meet codes or HQS. This could include the addition of a living room, kitchen area with adequate storage and preparation space, or a bedroom for every two persons. (The number of bedrooms in a unit should not require persons of the opposite sex other than husband and wife to occupy the same bedroom. Exceptions to this include infants and very young children.)
- Correct other livability conditions necessary to meet codes or HQS. For example, HQS requires that every home have a working oven, stove (or range) with top burners that work, and a refrigerator with working freezer, adequate in size for the household. Therefore, OCD funds may be used to purchase or repair these appliances. They need not be permanently affixed or built-in, as required in MSHDA's Property Improvement Program (PIP). Refer to **Attachment C, Appliance Guidance**.

### **Additional Clarification of Specific Project Activities May Also Include**

- Landscaping up to \$1,000 as part of a rehab project, if a landscaping plan has been approved by MSHDA if the program complies with the following provisions: (**Note:** When the project is a Homeowner Rehabilitation project, the \$1,000 landscaping improvements are not subject to lien requirements.)

The applicant (grantee) identifies an experienced landscape designer/architect (called the “Designer”) who will support the program;

- The designer will work with assisted property owners who agree to the conditions below to design the landscape project, assist the property owner in planting/installing the materials, and provide one year of follow-up, hands-on assistance with the property owner as needed for plant and lawn care, including specific instructions for watering and pruning;
  - The designer understands that the total cost of the plant material and any fees for design services, training, and follow-up cannot exceed \$1,000 per unit charged to grant funds; and
  - All plant material charged to grant funds will be visible from the street.
- Reconstruction or replacement of the housing unit. This would be eligible if the cost to rehabilitate the unit exceeds the cost to reconstruct or replace the unit. **Grantees must receive prior approval from MSHDA before reconstructing or replacing a unit with grant funds.** When replacing a housing unit, grantees should follow “OCD’s Expectations For Replacement Housing Projects With County Allocation Funds” (**Attachment A**).
  - Repair of an existing garage – but a new garage is ineligible except for Acquisition Development Resale projects where a garage would be a standard amenity for the neighborhood.
  - Facade improvements may qualify as part of a CDBG or MSHDA-assisted rental rehab project when:
    - The project is principally housing rehab in scope, and the façade improvements are considered an integral part of the housing rehab activity; and
    - The facade improvements are generic or uniform to the building. Examples of this would include painting, new windows or roof serving the entire structure. **Note:** No facade improvements should be specific or exclusive to the commercial space (i.e., no commercial signs, commercial entryway enhancements, awnings or other improvements exclusively serving the commercial space.) (Please refer to **Policy Bulletin #14** for application of **Davis-Bacon Requirements**.)

**Note:** The preceding list of improvements varies somewhat from those allowed in MSHDA’s Property Improvement Program. CDBG, HOME, or other OCD assistance can only be applied to improvements, which meet the criteria, described above. When proposing an acquisition, development and resale (ADR) project, grantees are encouraged to consider and incorporate the suggestions outlined in “MSHDA’s Site Amenities for ADR Projects” (**Attachment B**), whenever possible.

## **Eligible Refinancing and Closing Cost Assistance**

MSHDA OCD will allow closing and other costs related to the refinance of a first mortgage as an eligible project cost, but only when this refinancing is needed in conjunction with a homeowner rehabilitation project. These closing costs and related costs can be up to \$3,500. These costs are included in the maximum \$35,000 allowable in a homeowner rehabilitation project (see Policy Bulletin #9). Homeowners are required to receive counseling from a MSHDA approved LINKS Counselor prior to receiving assistance.

### **Costs include:**

Closing costs/fees,  
Cost of required counseling,  
Funds to pay off open collections if required to obtain a new first mortgage.

See Attachment F for further details including definitions of unsustainable mortgages and standards for the new first mortgage.

Refer to the Required Documents – Comprehensive, Submission and Checklist on the MSHDA website for a complete list of the documents to be submitted to OCD or retained in your activity files.

Any questions regarding this Policy Bulletin should be addressed to your Community Development (CD) Specialist or CD staff at (517) 373-1974.

### **Attachments**

- A, OCD Expectations for Replacement Housing
- B, Site Amenities
- C, Appliance Guidance
- D, NC Energy Efficiency Requirements
- E, Visitability Standards
- F, Refinancing & Closing Cost Assistance