



STATE OF MICHIGAN

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GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

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**Office of Community Development
December 15, 2010
2011 Housing Resource Fund
Notice of Funding Availability (NOFA)**

MSHDA's Office of Community Development (OCD) is announcing the availability of funding for 2011 grants from the Housing Resource Fund (HRF). Through this fund, OCD supports projects designed to:

- change the housing market of existing neighborhoods to make them more livable for current residents and more attractive to new residents, thereby creating healthy neighborhoods where it makes social and economic sense for people to invest their time, money and energy; and
- provide quality affordable housing for low and moderate income households in communities and neighborhoods offering a quality of life that they otherwise couldn't afford.

These projects provide quality, affordable housing through the rehabilitation of existing housing, construction of new housing, or both. They may include related efforts to:

- improve neighborhood amenities,
- strengthen neighborhood networks,
- reduce blight and improve the overall physical appearance of the neighborhood, and/or
- improve the overall perception of the neighborhood by the community as a whole.

To get a sense of what types of projects generally best align with these priorities in different kinds of neighborhoods and communities, see the attached Continuum of Housing and Neighborhoods.

A. Who can apply?

- Local units of government that are not Local HOME Participating Jurisdictions (PJs).
- Nonprofit organizations with a 501(c)(3) designation, including Community Housing Development Organizations (CHDOs). Nonprofit applicants applying for funding for projects to be implemented *within* the boundaries of a local HOME Participating Jurisdiction (PJ) must be a MSHDA-designated CHDO and receive 100 percent matching funds from the local PJ to be eligible for HOME funds.

Eligible applicants must demonstrate capacity to administer HRF resources effectively. As part of reviewing applications, OCD will evaluate the status of currently funded projects. Proposals from applicants with many incomplete projects or substantial uncommitted funds may be deferred until future funding rounds.



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B. What are the 2011 HRF application deadlines?

Window 1	April 18 – April 29, 2011
Window 2	September 19 – September 30, 2011

Funding decisions will generally be made within 60 days following the deadline for each Window and announced a short time later.

Note: Applications in process may be saved on the website and accessed as often as necessary until they are complete. Applications may not be submitted to MSHDA on-line, however, outside the two 10-day windows noted above. A “saved” application is not the same as a “submitted” application on OPAL. MSHDA will not receive your application until it is “submitted” by the appropriate person.

Open application process: OCD recognizes that some projects may be time-sensitive, e.g., Neighborhood Preservation Projects, Rental Rehabilitation projects creating new units above commercial space in downtowns, and other projects involving substantial advance planning and/or site-control constraints and costs. OCD will consider these applications at any time during the year, for good cause.

Incremental Funding awards: OCD has implemented an “*Incremental Funding*” methodology on some grants. Where the project involves the sequential production of projects not yet identified, OCD may make a partial funding award, along with indication of intent to fund the entire approved application. Funding for additional units will be released incrementally, as projects are completed in a timely manner.

C. What programs and projects are eligible under the Housing Resource Fund?

- **Homebuyer assistance.** Activities include:
 - (a) **Acquisition, Development and Resale (ADR)** of existing units needing rehabilitation or vacant lots for new construction; NOTE: Due to a depressed housing market, a written market analysis is required for ADR funding consideration.
 - (b) **Homebuyer Purchase Rehabilitation (HPR)**, through which the grantee provides development assistance to buyers and sellers of homes in the neighborhood to assure an affordable owner-occupancy of units in good repair.
- **Homeowner assistance.** OCD will consider targeted homeowner rehabilitation programs in which the homeowner rehabilitation is an integral part of a locally supported comprehensive targeted revitalization/rehabilitation plan. Proposals which are submitted primarily to expand county-wide homeowner rehabilitation programs will not be approved.
- **Neighborhood Preservation Program (NPP).** Activities that support a comprehensive neighborhood revitalization strategy, including demolition, public improvements, beautification, commercial district revitalization, or marketing and education. **Application deadlines do not apply to NPP proposals.** Applicants who intend to apply for NPP funding should contact their CD Specialist early in the process. If OCD determines the neighborhood may be appropriate for an NPP, MSHDA staff will make a site visit. The next step would be a pre-application leading to possible invitation to submit a full application. Note, because MSHDA funds are very limited in 2011, NPP applications can only be funded with CDBG, therefore only non-entitlement communities can apply for NPP.
- **Rental rehabilitation.** OCD will consider funding for the rehabilitation of rental property in downtowns and commercial centers: (a) generally CDBG funded, (b) affordability at initial occupancy, (c) \$35K limit all-in for the creation of units in previously non-residential space; (d) \$25K limit all-in for any unit in legal residential use and occupied during the last 5 years.

New HOME Rental Rehabilitation limits for creating units downtown: Due to the increase in demand for downtown rental rehabilitation programs and the limited availability of CDBG funds, OCD is allowing up to \$40,000 per unit for the creation of new HOME units as part of a downtown rental rehabilitation program. HOME funded projects do have longer affordability requirements that CDBG funded projects do not.

Rental rehab projects targeted at downtown business districts often have a long-term positive impact resulting from (a) increased activity in the downtown, (b) increased revenue to downtown property owners, and (c) productive use of space which is often inappropriate for homeownership. In downtowns, applications that are part of a comprehensive downtown or gateway strategy for economic development have priority. Additionally, **MSHDA OCD will give preference to applications that meet the following criteria:**

1. The projects are ready to go with owner financing for the leverage portion in place at time of application submittal, (proof of leverage funds must be submitted with application)
2. Projects of 4-16 units must demonstrate long term financial viability
3. Projects that create new units in the upstairs of commercial buildings in the downtown.
4. Projects that are strongly supported by the municipality, by tax incentives given to building owners. This could be a Neighborhood Enterprise Zone, Brownfield, or other program that reduces the taxes for the property owner.
5. Program/Projects with historic buildings that are eligible for historic tax credits (placed in service prior to 1936), and that are in a historic local district.
6. Programs/Projects in a Michigan Main Street Community
7. Projects that preserve the historic character of the building
8. Projects that include "green" standards using recyclable materials, and projects that achieve high energy efficiency standards
9. Projects that create units that have at least 750 square feet (SF) per unit (and at least one bedroom per unit). **Projects less than 750 SF could be considered, but MSHDA would award a maximum of \$25,000 for these units.**

NOTE: *Beginning January 1, 2011, applications for downtown rental rehabilitation projects that meet all or most of the above criteria can come in at any time and do not have to wait for an HRF window. Applications can be for one or more buildings, but should be a request to create at least two (2) or more units.*

Targeted rental rehab in single-family residential areas is less likely to have a long-term positive impact, because of (a) supporting a local perception of a residential neighborhood as mostly rental and highly transient, (b) low likelihood that absentee owners will continue to invest in maintenance over time, and (c) the fact that single-family homes should generally be more suitable for homeownership than rental in a healthy neighborhood. Given this, rental rehabilitation in residential areas will be considered only when it is part of a comprehensive targeted strategy with substantial local support, and most likely will only be funded with HOME dollars at up to \$14,999 per unit.

Various housing activities may be conducted under each of the above local program components as described in the *Housing Resource Fund Summary (HRF Summary)*, available on MSHDA's web site: www.michigan.gov/mshda, *Nonprofits & Local Government*.

Special Initiatives: OCD will consider funding for innovative program models, creative new endeavors, and statewide training programs that do not fit the above categories. These special initiatives will be considered outside the funding rounds on a case-by-case basis, following consultation with OCD staff.

D. What OCD initiatives are NOT included in the Housing Resource Fund?

The Office of Community Development supports programs and activities in addition to the Housing Resource Fund. Contact your CD Specialist for information on these other opportunities, listed below:

- **CDBG County Allocation Program.** In an effort to make CDBG housing resources available in all parts of the state, the Office of Community Development sets aside a portion of its CDBG Allocation for county governments on a population basis. CDBG resources set aside which are not claimed by county governments within the program's time frames may be transferred to the Housing Resource Fund.
- **Pre-Development Loans.** Pre-Development loans are available to help nonprofit developers pay for pre-development expenses related to planning affordable housing developments from project conception through submission for financing (including the Office of Community Development, the Office of Rental Development and Homeless Initiatives, and the Low Income Housing Tax Credit Program).
- **CHDO General Operating Grants.** CHDOs receiving MSHDA HOME funds from the CHDO set-aside (i.e., for projects owned, sponsored, or developed by the CHDO) may be eligible for CHDO Operating Grants (CGO). Acquisition Development Resale (ADR) is the only HRF component eligible for the CHDO set-aside. NOTE: Home Purchase with Rehabilitation (HPR) is not an eligible "development" activity (according to HUD), neither is Homeowner Rehabilitation or Rental Rehabilitation.
- **MSHDA and HUD supported Technical Assistance.** MSHDA has consultants available to provide technical assistance to nonprofit organizations and local units of government. These consultants provide guidance and training geared to increasing grantees' capacity to produce affordable housing.
- **Grants to Michigan Habitat for Humanity.** Local Habitat for Humanity affiliates are eligible for MSHDA HOME funding only by applying to Michigan Habitat for Humanity.

E. How do I find out more?

For more information, please contact the Office of Community Development or your Community Development Specialist:

**MSHDA Office of Community Development
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Lansing, Michigan 48909
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MSHDA
Office of Community Development
HOUSING RESOURCE FUND SUMMARY

E. CONTINUUM OF HOUSING FOR NEIGHBORHOODS

The Housing Resource Fund provides a flexible resource to support housing development that is (a) targeted for neighborhood impact, and/or (b) designed to support a local comprehensive neighborhood revitalization strategy. In order to provide adequate subsidies to permit development in a wide range of neighborhood markets, the HRF provides financing to address gaps as large as \$60,000 per unit. But the HRF also seeks to increase its impact on neighborhoods by maximizing the number of units that can be developed in the local market—with the related need to minimize the per unit subsidy required.

In a competitive funding environment, applicants need an indication of the acceptable range of per-unit subsidies that OCD may consider appropriate to various local market conditions. So in 2006 the Office of Community Development created a “Continuum of Housing for Neighborhoods,” as a guide to appropriate programming for these neighborhood types:

Neighborhood Type	Activities
Cities of Promise	Development readiness activities (demolition, blight reduction, building neighborhood networks, planning, etc.) are appropriate.
Revitalization Neighborhoods	Deeper per unit subsidies may be acceptable on strategically important properties supported by a local revitalization strategy.
Tipping-Point Neighborhoods	Smaller development gaps required in communities with moderate but increasing property values that may be attractive to a diverse range of incomes.
Stable Neighborhoods	Smaller development gaps required where building costs, incomes, and market values are more balanced.
Stable Neighborhoods (high cost)	Deeper subsidies for affordability are acceptable for properties where a Community Land Trust or other form of ownership assures affordability.
Rural housing (non-neighborhood)	Locally determined strategies funded through county allocations.

An expanded version of the above chart showing these neighborhood types, their typical characteristics, desired program outcomes, and expected per-unit gaps are set forth on the attached “Continuum of Housing for Neighborhoods.” This chart does not replace the Office of Community Development’s “Investment Priorities” or policy bulletins or other guidance. It is best understood as a companion piece, intended to provide further guidance as to the characteristics that OCD reviewers look for when looking for characteristics that tend to lead to successful and cost-effective housing interventions to benefit low and moderate income residents of our communities, and the cities in which they are located.

Office of Community Development
Resources for Neighborhood Revitalization

Our mission is to invest in comprehensive efforts to move neighborhoods towards becoming “communities of choice”: healthy, safe neighborhoods with a high quality of life, offering a range of affordable housing options in a diverse, vibrant, attractive environment where people will *choose* to live and stay. The chart below presents housing production programs funded by MSHDA’s Office of Community Development in support of this mission:

Neighborhood Type	Redevelopment Neighborhoods	Revitalization Neighborhoods	Tippling Point Neighborhoods	Stable Neighborhoods	Other Initiatives: Rural & Small Communities
	Neighborhood Revitalization		Housing Opportunities		Co. Allocation Program
Characteristics (how does MSHDA CD “know it when we see it”?)	<ul style="list-style-type: none"> Pervasive blight Social disorganization Very low property values Minimal owner-occupied housing Abandoned and/or tax-reverted property Limited neighborhood capacity for revitalization 	<ul style="list-style-type: none"> High rental (typically >25% for single-family housing stock and increasing or stable) Signs of disinvestment/ evidence of blight Values lower than cost to develop Marginal business/few commercial services for residents Incomes generally below the community-wide average. 	<ul style="list-style-type: none"> Rate of ownership increasing Spot blight Spot revitalization Increasing land costs Evidence of private investment Higher level of business organization; expanding commercial services for neighborhood residents 	<ul style="list-style-type: none"> Typically, high rates of homeownership Stable/increasing property values Healthy business/commercial Ongoing investment by owners Often characteristic of small communities Can include very high-cost resort markets 	<ul style="list-style-type: none"> Rural housing Small communities Small cities
Assets (what is MSHDA CD looking for as a foundation to build on?)	<ul style="list-style-type: none"> Strategic importance of neighborhood for the larger community Local government leadership and support for targeted investment Involvement by other potential funders/ stakeholders Ability to use local funds to leverage state, federal and private investment 	<ul style="list-style-type: none"> Local capacity for neighborhood management and/or housing development Sense of neighborhood identity Some anchors for revitalization (nearby stable neighborhood, commercial, schools, parks, etc.) Comprehensive revitalization plan or planning process Local government leadership and support for targeted investment Ability to use local funds to leverage state, federal and private investment 	<ul style="list-style-type: none"> Developers with knowledge of neighborhood market and opportunities Walkable connections to services, commercial Identified projects at market or near-market rates High density to support pedestrian-based commerce and mixed-use development Public transit linkages Ability to use local funds to leverage state, federal and private investment 	<ul style="list-style-type: none"> Proximity to jobs and services Reasonable feasibility and/or affordability gaps (affordability gaps may be large in high-cost markets) Walkable connections to services, commercial Identified projects at market or near-market rates Ability to use local funds to leverage state, federal and private investment 	<ul style="list-style-type: none"> Existing rural housing stock Capacity to serve residents Property owners willing to invest in housing as they are able
Policy Objective (what is MSHDA CD trying to accomplish? That is, what needs to happen to create a Community of Choice?)	<ul style="list-style-type: none"> Arrest/begin to remove blight Support existing property owners who want to remain Partner with city and other existing stakeholders Promote access to jobs and job training Support activities that will contribute to neighborhood redevelopment Promote improvement in neighborhood schools 	<ul style="list-style-type: none"> Improve balance of homeownership and rental Increase neighborhood values to move toward market rate Increase and support local private investment Change public perception Partner in addressing unmet needs Improve resident satisfaction with neighborhood schools Promote neighborhood businesses to meet basic community needs Improve public transit linkages 	<ul style="list-style-type: none"> Stimulate private investment Support local targeted development areas Maximize production of affordable units. Preserve neighborhood Increase household wealth through homeownership Improve resident satisfaction with neighborhood schools Promote business participation in and support of community activities 	<ul style="list-style-type: none"> Make units affordable for low to moderate income families, including homeownership units Support local targeted investment areas Promote efficient use of resources Production of permanently affordable units in high cost markets (Ltd. Equity Ownership) Promote business participation in and support of community activities 	<ul style="list-style-type: none"> Support local government capacity to improve housing Allow aging in place Preserve existing housing stock Improve rental housing in small communities/downtowns Promote owner investment Support affordable investment for low-income families (PIP)
Types of Projects and Activities/Cost per Unit (what does MSHDA CD have to offer?)	<ul style="list-style-type: none"> Neighborhood Stabilization (Demolition, neighborhood cleanup, etc.) Homeowner Rehabilitation Enhanced Technical Assistance & Planning, or Significant Projects 	<ul style="list-style-type: none"> Acquisition/Development for Resale (ADR) \$40 - \$60K/unit Homebuyer Purchase w/Rehab (HPR) \$30K unit avg. Rental Rehab \$15-25K/unit avg. Homeowner Rehab \$35K/ unit max Neighborhood Preservation (demolition, marketing, signage, landscaping, etc.) 	<ul style="list-style-type: none"> Acquisition/Development for Resale (ADR) \$35 - \$50K/unit Homebuyer Purchase w/Rehab (HPR) \$25K unit avg. Neighborhood Preservation activities Rental Rehab \$25K/unit avg. Homeowner Rehab \$35K/ unit max 	<ul style="list-style-type: none"> Acquisition/Development for Resale (ADR) \$35 - \$50K/unit (up to \$60K in high cost only) Homebuyer/Purchase w/Rehab (HPR) \$35K unit Rental Rehab \$25K/unit avg. 	County Allocation Program Property Improvement Program (PIP) <ul style="list-style-type: none"> Homeowner Rehab (HO) \$25K/unit max (\$18K avg.) Rental Rehab \$25K/unit PIP loans up to \$25K/unit

Strategic Context for Neighborhood Revitalization

MSHDA's Office of Community Development has resources for the creation of affordable housing that will contribute to the creation of "Communities of Choice." However, **the development and improvement of housing is only one element of an effective neighborhood revitalization**, the development of housing units alone is rarely sufficient to effect community transformation. Below are considerations for comprehensive neighborhood planning, and resources to support strategic neighborhood revitalization by CDCs.

KEY LOCAL INITIATIVES. Neighborhood transformation begins at the local level. Creating and sustaining a Community of Choice depends on initiatives that can be implemented only at the local level. In some areas, local residents can leverage state supports						
	Elimination of Blight	Quality Community Schools	Safe Streets	Quality public services	Quality Commercial Services	Family Supports
Local Initiatives	Code enforcement Neighborhood clean-up Advocacy for demolition, police, and sanitation services	Local school improvement Parent-teacher organization and parent involvement programs Access to early childhood and day care	Neighborhood Watch Community policing	Infrastructure improvement (streets, sidewalks, alleys, lighting) Public transit access	Façade improvement programs BID/TIF Programs Corridor Programs Microenterprise Main Street Program	Neighborhood association with accountability and effective outreach to new residents Community organizing Voter education
State/Federal supports	Vision 2020 Neighborhood Preservation Program	Family Resource Centers Arts and Learning Program Access to Head Start	Safe Routes to School	Community Development Block Grant Capital Improvement Grants for Arts Facilities	Brownfield Program Small Business loan guarantees New Markets Tax Credits Historic Tax Credits	Asset Building/IDAs Key to Own Program Weatherization Job Training programs MI Opportunity Partnership LINKS Homeownership Counseling

KEY STATE DEVELOPMENT INCENTIVES (and limitations): Development incentives can boost investment in development projects, but these incentives come with conditions. Neighborhood leaders need to assess the impact of the limitations involved in using these incentives:							
Program	HOME	CDBG	Brownfield	LIHTC	NEZ	Historic Rehab	New Markets Tax Credits
Primary benefits	Flexible resource for housing development; income limits permit near-market rate development	May be used for housing, infrastructure, or economic development	May be used for market-rate commercial and residential development	Permits large scale residential new construction, and adaptive reuse of large buildings	Helps to make development feasible by reducing the increase in property taxes from improvement	Credit against development cost of historic rehabilitation	Supports commercial development
Limitations	All housing units must be affordable; cannot be used for units which will be market-rate	State funds may not be used in large cities which receive their own CDBG direct from the Federal government	Eligibility limited to certain communities.	Units developed may not be owner-occupied for at least 15 years	Reduces property tax revenue to local government; must be approved by city council	Limited to historically significant structures and districts; residential development must be rented for 5 years	Complex and still unfamiliar to most developers and communities

<p>KEY ELEMENTS OF NEIGHBORHOOD REVITALIZATION. Comprehensive Neighborhood Revitalization</p> <ul style="list-style-type: none"> • Image: what image of our neighborhood will support our efforts to attract new residents? • Market: how can we increase housing values and rates of appreciation to support ongoing investment by property owners? • Physical Conditions: what can we do that will make the greatest improvement in the physical appearance of our neighborhood? • Neighborhood Management: how can residents gain a stronger sense of control over the future destiny of our neighborhood?
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<p>HOUSING CRITERIA. Housing development, including affordable housing, should be an asset to the neighborhood. Wherever possible, housing units funded by MSHDA CD—and all housing development—in the community should meet high standards of quality:</p> <ul style="list-style-type: none"> • Meet or exceed the neighborhood standard, complementing existing housing types and lot sizes • Provide sufficient amenities to be marketable to buyers who are new to the neighborhood • Provide reasonable storage for a vehicle and other personal property not kept in the unit (bicycles, lawn mowers, etc.) • Include attractive, hardy, low-maintenance landscaping • Include a basement that can be cost-effectively remodeled into future living space (sufficient ceiling height, egress window) • Be of high quality construction, but may be on smaller lots to reduce maintenance, maintain density. • Incorporate design features to encourage social interaction (such as front porches, sidewalks, etc.) • Be supported by community group to orient new residents to neighborhood management practices • Be supported by adequate public services (street maintenance, parks, schools, etc.) • Meet a high standard of energy-efficiency and accessibility
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<p>WHEN AFFORDABILITY IS THE PROBLEM: tools are available for high-cost communities</p> <ul style="list-style-type: none"> • Down payment assistance • RD mortgages • MSHDA mortgages • Community Land Trust • Asset building • Key to Own • Habitat for Humanity
