



STATE OF MICHIGAN

JENNIFER M. GRANHOLM
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

GARY HEIDEL
EXECUTIVE DIRECTOR

TO: Office of Community Development Grantees
FROM: Rick Ballard, Director, Office of Community Development
DATE: December 15, 2010
RE: Housing Resource Fund Summary

MSHDA's Office of Community Development (OCD) has released its 2011 Housing Resource Fund (HRF) Summary in support of Michigan's local housing initiatives. The HRF Summary discusses the objectives of the Housing Resource Fund, applicant eligibility and program offerings.

As a reminder, the funding windows for Housing Resource Fund applications are:

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

The revised HRF Summary has been posted on MSHDA's website at http://www.michigan.gov/mshda/0,1607,7-141-5564_46919---,00.html

As we continue to advance the use of our electronic management and information systems, you are encouraged to regularly visit the web site for notification of funding opportunities, access to various OCD publications and important announcements. If you have any questions about the Housing Resource Fund and the Office of Community Development, please contact your CD Specialist.

New revisions to the 2011 HRF Summary are set forth in yellow highlight.

To ensure alignment with current Housing Resource Fund objectives, discontinue using all previous editions of the HRF Summary. As always, your suggestions for improvements to our resources are welcome.

2011 Cover Memo, 12.15.10



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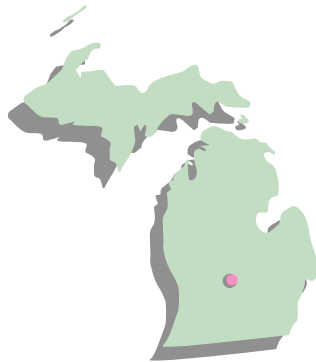
2011 HOUSING RESOURCE FUND SUMMARY



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MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT
HOUSING RESOURCE FUND
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<p style="text-align:center">MSHDA Office of Community Development HOUSING RESOURCE FUND SUMMARY</p>

A. INTRODUCTION

The Michigan State Housing Development Authority (MSHDA), Office of Community Development (OCD) has a variety of funding and technical assistance resources available for use by non-profits and local communities to address affordable housing and community revitalization needs. This summary describes housing activities eligible for funding with OCD's Housing Resource Fund (HRF) which is a collective of resources from HUD - HOME Investment Partnership (HOME) and Community Development Block Grant (CDBG) funds - and MSHDA.

What is the purpose of the Housing Resource Fund?

The purpose of the Housing Resource Fund is to support projects designed to change the housing market of existing neighborhoods to make them more livable for current residents and more attractive to new residents, and/or to provide affordable housing for low and moderate income households, and ideally both at the same time. In this manner, OCD supports the creation of healthy neighborhoods where it makes social and economic sense for people to invest their time, money and energy.

Achieving this outcome typically involves targeting resources to focus on the reasons why residential property owners are unwilling or unable to invest in the maintenance and improvement of the housing stock in a specific local target market. In addition, achieving this outcome often involves working with local partners to address other barriers to investment in the local community (e.g., crime, poor public services, or lack of housing to meet the needs of workers in a growing local economy).

To encourage a more holistic approach to addressing community issues, OCD expects grantees to demonstrate a thorough understanding of the market conditions in their target area, to engage in appropriate planning that includes area residents, and to propose housing projects that directly relate to the needs and market conditions in their target area.

To help maintain focus on this outcome and target, OCD has developed a "Planning For Results" guide. The planning steps outlined in this guide are intended to lead applicants through a consideration of the issues that must be addressed for affordable housing projects to have a beneficial impact on their communities.

OCD evaluates proposed projects and makes funding decisions that meet both local and MSHDA priorities. To assist in determining OCD's priorities for investment, applicants should consider the priorities outlined in the section entitled "CD Investment Priorities".

While there are many legitimate kinds of communities throughout the state, social networks located across broad rural areas are not communities that are readily impacted by a *housing development strategy*. By their nature, housing development strategies have a greater impact where dwelling units are in immediate proximity to each other and where residents engage in

face-to-face interaction on their own property and the rights-of-way immediately adjacent to their properties. Recognizing these limitations in housing strategies is important when evaluating the impacts on the quality of life of the entire community.

Who Can Apply?

- Local units of government that are not local HOME Participating Jurisdictions (PJs),
- Local HOME Participating Jurisdictions (PJs) under certain circumstances, and
- Nonprofit organizations with a 501(c) 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 a 100% leverage from the local PJ to be eligible for HOME funds.

Refer to Quickfinder to determine Eligible Applicants for that component.

What is the Role of Community Housing Development Organizations (CHDOs) in HRF?

The Housing Resource Fund is a blend of federal and MSHDA resources with most of the funding coming from the HOME Investment Partnership program. As a result, the HOME program is the most likely source of funds for awards to HRF grantees, especially nonprofits.

The federal HOME rules create a class of nonprofit organizations called Community Housing Development Organizations (CHDO; see 24 CFR 92.2). These nonprofits are locally controlled organizations with an affordable housing mission and the demonstrated capacity to develop housing. To receive HOME funds from the HRF, a nonprofit located in a city or county receiving HOME funds directly from HUD (called a "HOME Participating Jurisdiction" or PJ) must meet the following requirements:

1. It must be designated as a CHDO by the local PJ;
2. It must be designated as a CHDO by MSHDA; and
3. It must obtain funding from the local PJ for at least 100% of the amount requested from HRF for the same project or target area strategy.

MSHDA may have a limited amount of non-federal funds available for non-CHDO 501(c) nonprofit organizations for projects in local PJs; however, these funds are typically available only to emerging nonprofits that (a) are undertaking their first project and (b) already have local PJ support to become CHDOs.

How Does A Prospective Applicant Apply for Funding?

1. Complete the “Planning for Results” section of this *HRF Summary*. *This grid is included in its entirety as part of the HRF Application.* Review the components of the Housing Resource Fund, described in this *HRF Summary*. Make reasonable initial determinations about the HRF component that addresses the housing problem(s)/need(s) in the target area. Identify a scope for the project (e.g., number of units, extent of construction activity, etc.) appropriate to the target area and the agency’s capacity. And, generally, think in terms of measurable outcomes that are attainable with the proposed project within a two-year time frame.

Consider any non-housing issues (crime, public services, infrastructure needs, etc.) that may need to be addressed to move the target area toward becoming a “Community of Choice.” Develop strategies that build on the neighborhood’s strengths to address the barriers to accomplishing your desired results for the target area. Remember, MSHDA will probably **not** be able to fund strategies to impact non-housing issues. A thoughtful and thorough process of Planning for Results will assist in identifying other important stakeholders - organizations, local government, and other local agencies - with whom partnerships can be structured to achieve the greatest possible impact in the targeted area.

2. Contact your Community Development Specialist to discuss your project idea. The staff of MSHDA’s Office of Community Development is assigned geographically. The Community Development (CD) Specialist is the person to be contacted for more information about applying for funding from the HRF or other assistance. Contact names and telephone numbers are listed in the “Staff Contact List” section.

If your project appears to be appropriate for an HRF grant, prepare an application for submission during one of OCD’s application windows. Applications for OCD funds are available by accessing www.mshda-opal.org. If you currently do not have a User ID and Password for OPAL, please contact your CD Specialist. Your application will be evaluated with others received during the application window. Your CD Specialist can help you by providing information on the types of projects and amounts of funding which are generally appropriate for the HRF. *But your CD Specialist cannot help you prepare an application nor make any representations to you about the likelihood of funding your application during CD’s application evaluation process.* Demand for resources is expected to exceed the resources available and worthy projects may have to be reduced or postponed until a later funding round when more resources may be available. In such cases, your CD Specialist will try to provide suggestions on how your application might be improved to increase its chances of being funded in a later funding window.

Sometimes OCD receives applications that appear to be too large in scope in relation to the demonstrated capacity of the applicant organization. In some of these cases, OCD is able to provide technical assistance to help the group increase its capacity; in other cases, OCD may suggest the next steps the applicant needs to undertake with its own initiative in order to meet the basic organizational development thresholds necessary for housing technical assistance to be successful.

Application windows. Application windows have been devised to facilitate planning for both OCD and HRF applicants. The application dates for these windows are published in OCD’s annual Notice of Funding Availability (NOFA) for the Housing Resource Fund available on MSHDA’s website at www.michigan.gov/mshda. Please contact your CD Specialist for more information on application windows.

What OCD Initiatives are NOT Included in the Housing Resource Fund?

- **County Allocation Program.** In an effort to make affordable housing resources available in all parts of the state, OCD sets aside a portion of its federal funding for county governments on a population basis. These funds are primarily in the form of HUD's CDBG program resources. Funding not claimed by county governments within the program's time frame may be transferred to the Housing Resource Fund. Allocation amounts are fixed and dependent on a population formula. On occasion, MSHDA may raise or lower these maximum allocation amounts based on overall demand and availability of funds. The current allocation amounts are as follows:

<u>Population</u>	<u>Allocation Amount</u>
0 - 5,000	\$100,000
5,001 - 10,000	\$125,000
10,001 - 20,000	\$150,000
20,001 - 30,000	\$175,000
30,001 - 40,000	\$200,000
40,001 - 50,000	\$225,000
50,001 - 60,000	\$250,000
60,001 - 70,000	\$275,000
Over 70,001	\$300,000

In addition to the activities eligible for HRF funding, counties may use their county allocation funds for the following types of housing activities:

- Deferred loans of up to \$10,000 per unit to households assisted by the local Habitat for Humanity Affiliate
- Down payment assistance without rehabilitation, if MSHDA's Links to Homeownership Program is not locally available
- Rental rehabilitation
- Homebuyer programs such as Acquisition/Development/Resale (ADR) and Homebuyer Purchase Rehabilitation (HPR).

For details on the current HRF program year, please see www.mshda-opal.org for the most recent Notice of Funding Availability.

- **CHDO General Operating Grants.** CHDOs with a current grant for MSHDA HOME funds may be eligible for CHDO Operating Grants. These grants coincide with the CHDO's fiscal year. Applications are submitted with the HRF application or, for continuing grants, before the start of the CHDO's fiscal year.
- **MSHDA and HUD funds for Technical Assistance.** If your organization has not had prior housing experience, you may be referred to MSHDA's Technical Assistance staff for assessment and technical assistance prior to being invited to submit an Application.
- **Grants to Michigan Habitat for Humanity.** Local Habitat for Humanity (HFH) affiliates are eligible for funding only by applying to Habitat for Humanity of Michigan. Counties may designate a portion of their allocation grants for HFH projects. Please reference OCD Policy Bulletin #27 and contact your local County Allocation Program Administrator at www.habitatmichigan.org.

- **Pre-Development Loans.** Applications for projects that are still in the pre-development phase may be awarded a pre-development loan instead of, or prior to, an HRF grant.

What Activities/Grantees are NOT Eligible for Funding from the HRF?

- Local affiliates of Habitat for Humanity (they should contact the Michigan Habitat for Humanity, or their county allocation program administrator);
- For-profit corporations or proprietorships (although they may be participants on a development team for a grant to a nonprofit or local government);
- Projects on leased land (such as manufactured home parks), **unless** the land is owned by the applicant or another nonprofit or local government specifically approved by MSHDA;
- Single family new construction on lots not served by public water and/or sewer;
- Projects to fund countywide programs (these are funded from the county allocation program); and
- Down Payment Assistance without rehabilitation (contact the Links to Homeownership Program administered by the Homeownership Division of MSHDA).

What Is the Term of Funding Awards?

Generally, HRF grant awards are for a 24-month term.

What if Our Housing Project Does Not Fit Under the HRF?

HRF is a flexible resource, supporting a wide range of housing activities within reasonable parameters. These parameters attempt to target these resources to the conditions generally encountered within most Michigan markets. However, local needs or markets may require that exceptions be made to permit housing projects under unusual local circumstances. If you encounter these situations, **contact your CD Specialist:**

- Our staff may be able to help you better understand the HRF requirements and help you consider other alternatives. HRF requirements that exceed HUD requirements can sometimes be adjusted to meet local market requirements.
- The *Michigan Consolidated Plan for Housing and Community Development* contains a provision for "Community Initiative Models." Under this provision, OCD may consider applications for HOME funds which are subject only to the federal HOME regulations, without additional MSHDA restrictions; your CD Specialist can help you determine if this provision might apply to your project. The *Michigan Consolidated Plan* states:

MSHDA's goal is to maximize the impact of HOME funds on local housing needs. To accomplish this objective, MSHDA encourages applicants to engage in local comprehensive planning, as part of a collaborative effort involving local

governments, private funders, lenders and nonprofit organizations. Where local parties have engaged in such a planning process, MSHDA will consider applications for funding for projects that implement these local plans. Requests for funding may involve homebuyer, homeowner or rental housing projects or other HOME eligible activities; in such cases, these projects are implemented under the HOME regulations that apply to the particular kind of project proposed.

- CHDOs implementing projects in a local HOME Participating Jurisdiction (PJ) may discover that OCD and the local PJ have conflicting regulations and program limits. If these differences create problems implementing local programs, CHDOs are encouraged to contact OCD to explain the problem. OCD staff will review the specific situation and if, appropriate, contact the local PJ to determine whether OCD or the PJ can adjust program requirements to facilitate implementation of the project.

For More Information . . . please contact the Office of Community Development or your Community Development Specialist:

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**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
COMMUNITY DEVELOPMENT DIVISION**

02.20.12

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**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
COMMUNITY DEVELOPMENT DIVISION**

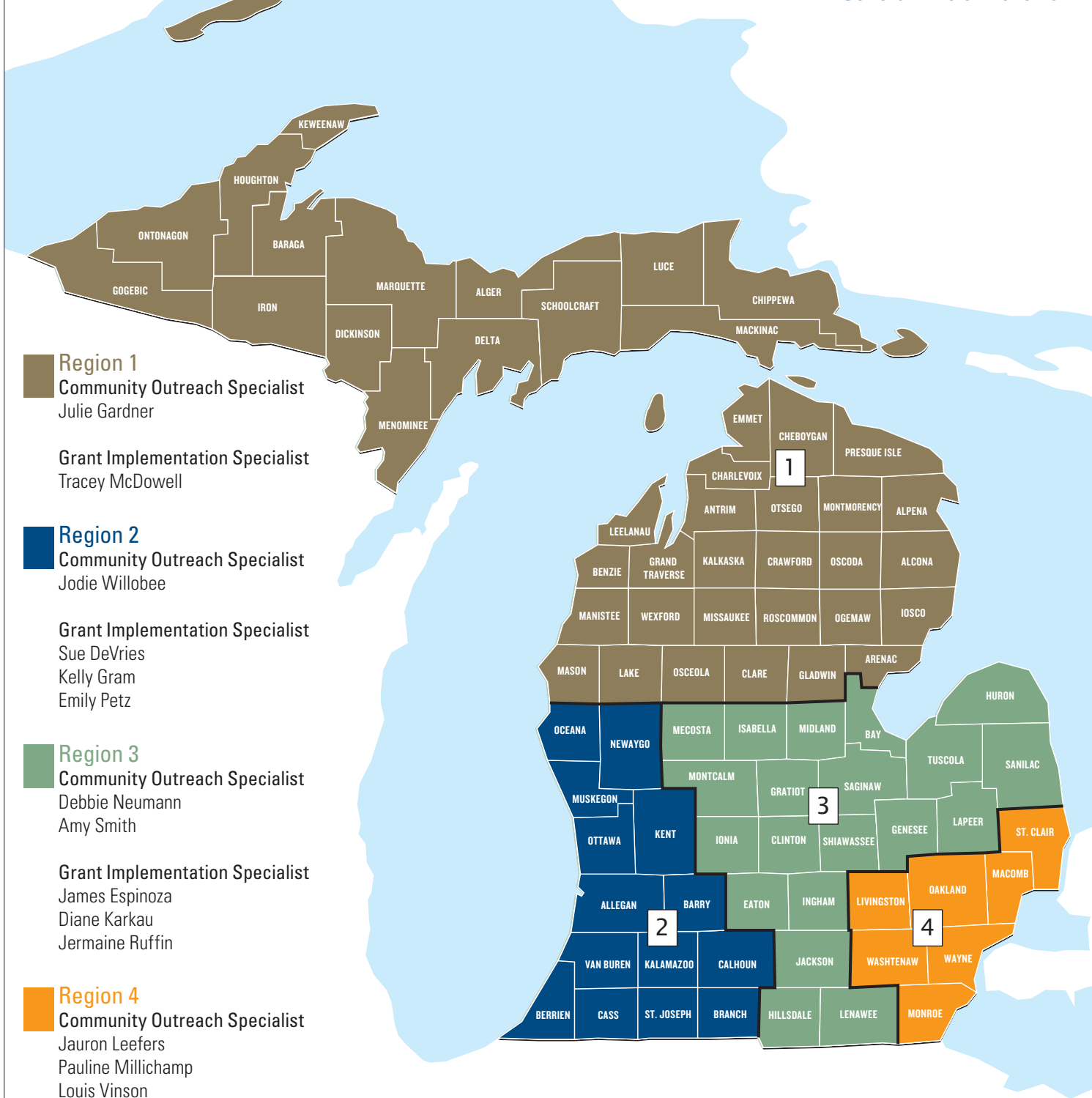
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Michigan State Housing Development Authority

Community Development Regions

General Line 517.373.1974



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Julie Gardner

Grant Implementation Specialist
Tracey McDowell

Region 2

Community Outreach Specialist
Jodie Willabee

Grant Implementation Specialist
Sue DeVries
Kelly Gram
Emily Petz

Region 3

Community Outreach Specialist
Debbie Neumann
Amy Smith

Grant Implementation Specialist
James Espinoza
Diane Karkau
Jermaine Ruffin

Region 4

Community Outreach Specialist
Jauron Leefers
Pauline Millichamp
Louis Vinson

Grant Implementation Specialist
Van Adams*
Nicol Brown*
Esther Haugabrook*
Emanuel Odom*

* Southeast Michigan Development Team Staff

Region	County	Community Outreach Specialist (COS)	Grant Implementation Specialist (GIS)
1	Alcona	Julie Gardner	Tracey Barnes
1	Alger	Julie Gardner	Tracey Barnes
2	Allegan	Jodie Willobee	Kelly Gram
1	Alpena	Julie Gardner	Tracey Barnes
1	Antrim	Julie Gardner	Tracey Barnes
1	Arenac	Julie Gardner	Tracey Barnes
1	Baraga	Julie Gardner	Tracey Barnes
2	Barry	Jodie Willobee	Kelly Gram
3	Bay	Debbie Neumann	James Espinoza
1	Benzie	Julie Gardner	Tracey Barnes
2	Berrien	Jodie Willobee	Emily Petz
2	Branch	Jodie Willobee	Kelly Gram
2	Calhoun	Jodie Willobee	Kelly Gram
2	Cass	Jodie Willobee	Emily Petz
1	Charlevoix	Julie Gardner	Tracey Barnes
1	Cheboygan	Julie Gardner	Tracey Barnes
1	Chippewa	Julie Gardner	Tracey Barnes
1	Clare	Julie Gardner	Tracey Barnes
3	Clinton	Amy Smith	James Espinoza
1	Crawford	Julie Gardner	Tracey Barnes
1	Delta	Julie Gardner	Tracey Barnes
1	Dickinson	Julie Gardner	Tracey Barnes
3	Eaton	Amy Smith	Diane Karkau
1	Emmet	Julie Gardner	Tracey Barnes
3	Genesee	Debbie Neumann	Jermaine Ruffin
1	Gladwin	Julie Gardner	Tracey Barnes
1	Gogebic	Julie Gardner	Tracey Barnes
1	Grand Traverse	Julie Gardner	Tracey Barnes
3	Gratiot	Amy Smith	James Espinoza
3	Hillsdale	Amy Smith	Diane Karkau
1	Houghton	Julie Gardner	Tracey Barnes
3	Huron	Debbie Neumann	Diane Karkau
3	Ingham	Amy Smith	Jermaine Ruffin
3	Ionia	Amy Smith	James Espinoza
1	Iosco	Julie Gardner	Tracey Barnes
1	Iron	Julie Gardner	Tracey Barnes
3	Isabella	Amy Smith	James Espinoza
3	Jackson	Amy Smith	Diane Karkau
2	Kalamazoo	Jodie Willobee	Kelly Gram
1	Kalkaska	Julie Gardner	Tracey Barnes
2	Kent	Jodie Willobee	Sue DeVries
1	Keweenaw	Julie Gardner	Tracey Barnes
1	Lake	Julie Gardner	Tracey Barnes
3	Lapeer	Debbie Neumann	Diane Karkau
1	Leelanau	Julie Gardner	Tracey Barnes
3	Lenawee	Amy Smith	Diane Karkau
4	Livingston	Louis Vinson	Emanuel Odom
1	Luce	Julie Gardner	Tracey Barnes
1	Mackinac	Julie Gardner	Tracey Barnes
4	Macomb	Pauline Millichamp	Nicol Brown
1	Manistee	Julie Gardner	Tracey Barnes
1	Marquette	Julie Gardner	Tracey Barnes
1	Mason	Julie Gardner	Tracey Barnes
3	Mecosta	Amy Smith	James Espinoza
1	Menominee	Julie Gardner	Tracey Barnes
3	Midland	Debbie Neumann	James Espinoza
1	Missaukee	Julie Gardner	Tracey Barnes
4	Monroe	Louis Vinson	Emanuel Odom
3	Montcalm	Amy Smith	James Espinoza
1	Montmorency	Julie Gardner	Tracey Barnes
2	Muskegon	Jodie Willobee	Emily Petz
2	Newaygo	Jodie Willobee	Kelly Gram

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2	Oceana	Jodie Willobee	Emily Petz
1	Ogemaw	Julie Gardner	Tracey Barnes
1	Ontonagon	Julie Gardner	Tracey Barnes
1	Osceola	Julie Gardner	Tracey Barnes
1	Oscoda	Julie Gardner	Tracey Barnes
1	Otsego	Julie Gardner	Tracey Barnes
2	Ottawa	Jodie Willobee	Emily Petz
1	Presque Isle	Julie Gardner	Tracey Barnes
1	Roscommon	Julie Gardner	Tracey Barnes
3	Saginaw	Debbie Neumann	Jermaine Ruffin
3	Sanilac	Debbie Neumann	Diane Karkau
1	Schoolcraft	Julie Gardner	Tracey Barnes
3	Shiawassee	Debbie Neumann	James Espinoza
4	St. Clair	Pauline Millichamp	Nicol Brown
2	St. Joseph	Jodie Willobee	Kelly Gram
3	Tuscola	Debbie Neumann	Diane Karkau
2	Van Buren	Jodie Willobee	Kelly Gram
4	Washtenaw	Louis Vinson	Van Adams
4	Wayne	Jauron Leefers	Esther / Van
4	Wayne.Detroit.NSP2	Jauron Leefers	Van Adams
4	Wayne.Hamtramck.NSP2	Pauline Millichamp	Emanuel Odom
4	Wayne.Highland Pk.NSP2	Louis Vinson	Esther Haugabook
4	Wayne.Wyandotte.NSP2	Jauron Leefers	Emanuel Odom
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COS	Market and outreach of MSHDA programs and statewide resources Foster local relationships Planning and program implementation of OCD programs Grant application review Grant award approval After predisbursement conditions are met, hand off to GIS
GIS	Grant application review Grant management from setup to closeout (incl FSR) Foster local relationships Component training and monitoring Project implementation training

<p style="text-align:center">MSHDA Office of Community Development HOUSING RESOURCE FUND SUMMARY</p>

C. PLANNING FOR RESULTS

INTRODUCTION

The desired result of MSHDA's Office of Community Development Housing Resource Fund is to promote the development of communities of choice. This section of the HRF Summary is intended to help you engage in an analysis of the specific project in which you are asking MSHDA to invest. We hope that this analytical process will move you to utilize a "holistic" approach when strategizing neighborhood revitalization and redevelopment efforts in your community. A holistic approach is premised on the fact that no single action can "turn a neighborhood around"; rather, the combination of improved housing conditions, adequate infra-structure, education/vocational training, crime prevention, economic development initiatives (job development/placement/retention), subsidized child care, health care, etc., must be brought together to create a significant and positive impact on the community.

Under this Tab of the HRF Summary, you will find:

- This introductory section that outlines the Office of Community Development result statement, priority areas for funding, and a description of targeting;
- Our expectations regarding performance measurement;
- Target Area Characteristics;
- A Project Planning Grid
- Sample project grids for various HRF activities
- A Glossary of Terms

The "Target Area Characteristics" and the "Project Planning Grid" in this section are also part of the "Results Section" of the Housing Resource Fund (HRF) Application.

Office of Community Development: Result Statement

The Office of Community Development provides a range of housing programs designed to encourage development and redevelopment through strategic investment of public resources intended to make every neighborhood "livable". As Community Developers, we have worked toward defining what that means to us and how it translates into goals we have for all the communities in which our partners work. To that end, the Office of Community Development adopted the following result statement: ***All communities will be vibrant, affordable, sustainable, diverse environments where people choose to live and stay.*** This statement guides us in determining where it makes the most sense for us to invest our limited resources.

Priorities for Funding

We have established specific priorities to further assist us in project selection. We have also made some basic assumptions about the projects we fund with the intention of attaining some general housing goals. At an absolute minimum, however, we expect that any program funded through the Office of Community Development will be linked to positive results for **built communities**.

As stewards of public funds, our first priority is to **maximize the public impact** of housing projects in which we invest, thus preventing further blight by encouraging and fostering housing and economic revitalization. **This is done by protecting and promoting the sound development and redevelopment of the community; reinvesting in the older and often overlooked neighborhoods, commercial districts, and downtowns. The Office of Community Development seeks investments that make efficient use of existing infrastructure and services. We also rank the creation of housing opportunities in markets that do not provide them as a high priority.**

In the Office of Community Development, we believe that housing strategies have more impact when the **housing units are in proximity to one another**. Preference will be given to funding these strategies. When funding homebuyer projects, we assume that these will result in good equity building investments for participating households. We also believe that housing programs should be an asset to the entire community by being **of equal or better quality** and reinforcing the value of other neighborhoods. We know that educated customers, whether renters or buyers, usually make choices in their own best interest. Finally, the Office of Community Development believes in balance. Neighborhoods and built communities benefit from an **appropriate balance of rental and homeownership** units as well as good housing choices for all incomes.

It is our intent to increase the range of opportunities for homeownership as well as access to quality affordable rentals that will enhance the overall vitality of a community. Funded projects should stimulate increased investments by owners who otherwise would not have been willing or able. Grantees implementing projects should be able to document their results and success.

Targeting

In order to promote a community or neighborhood as a community of choice, HRF projects must have an impact on residents beyond those directly served by the funded program. Our projects depend on customer focus for their success; the projects need to **influence the behavior** (i.e. the choices) of current and prospective property owners – increasing their motivation and/or financial ability to invest in real estate in the proposed “community of choice.”

However, we struggle under some limitations in developing communities of choice. Primarily:

- The vast majority of the funds we have to work with are limited to affordable housing.
- The funds we have available are small compared to the scope of the local economy (i.e., the choices people are already making) in even a small town.

In order to influence peoples’ attitudes and change their behavior about how they spend their money, we need to help create a situation where something significant is changing in their environment, in spite of the above limitations. For most of our projects, the best way we have found to do that is through **targeting**.

Consideration and selection of the appropriate target area should include building from the community's areas of strength versus targeting the most distressed area. By selecting the "right" target area, our limited resources can help tip the balance in that area, and make a difference not only for its residents, but also for the residents in surrounding neighborhoods, attracting investment by removing disincentives. We are even more effective if our **resources are partnered** with economic development, infrastructure, public service and other investment, which reinforces the local perception that significant change is happening.

We are accustomed to thinking of a target area as a compact revitalization area to combat disinvestments and blight. Alternatively, the local need might be the creation of affordable homeownership in a very high cost market. We may fund a local Land Trust to create permanently affordable ownership units; in such a case, it is probably the best course to scatter the units on desirable sites citywide. In this case, the *target area* is really a *target market*, and the "local perception of significant change" is that a community that allows for income diversity increases the quality of life for all. **The point here is that the target area should be evaluated based on the extent to which it is likely to lead to a community of choice.**

Note: This section is intended as but one of the tools that you use when planning activities to renew or maintain the area in which you work. We have designed the Project Grid and the Target Area Characteristics to help you think about your projects in a more meaningful way. Your CD specialist is another valuable resource to engage in your planning process.

Performance Measurement System

In September 2003, HUD published its preliminary expectations regarding "Performance Measurement Systems". HUD is encouraging grantees of HOME, CDBG, McKinney, and HOPWA funding to go beyond measuring (and reporting) outputs, and to "institutionalize" measurement and reporting of outcomes, or results. For consistency, the Office of Community Development has adopted the guidance and terminology from HUD, and is asking that you create a performance measurement system.

The HRF application includes the Project Planning Grid, which asks the grantee to "state the results for your target area" and "list how you will measure your results." HRF grantees are held accountable for measuring and reporting those results, and MSHDA's accountable to aggregate and use the results for planning and reporting to HUD.

Performance measurement is more than tracking and measuring results, it can help inform program design, implementation and reporting. A systematic approach to reviewing program performance will allow for better-informed long-range planning, as well as help a program detect and address problems that can otherwise be costly and frustrating.

Systems Components: The steps involved in developing a performance measurement system include establishing goals and identifying inputs, activities, outputs, and results or outcomes. These concepts are defined below. Although this model uses housing rehabilitation as the example, the same process can be applied to any activity to measure performance.

- **Goals** are the proposed solutions to problems or needs identified by the grantee during the planning process.

- **Inputs** include resources dedicated to or consumed by the program such as money, staff, equipment, and supplies.
- **Activities** are what the program does with inputs to fulfill its mission. Activities include the strategies, techniques, and types of treatment that comprise the program's production process or service methodology.
- **Outputs** are the direct products of a program's activities. They are usually measured in terms of volume of work accomplished, such as number of low-income households served, number of loan applications processed, number of units constructed or rehabilitated, or linear feet of curbs and gutters installed.
- **Outcomes/results** are benefits that result from the program. Outcomes typically relate to a change in conditions, status, attitudes, skills, knowledge, or behavior. Common outcomes could include improved quality of life for program participants, improved quality of local housing stock, or revitalization of a neighborhood.

Most grantees monitor their inputs and outputs, but may not examine the relationship between the two. It is only through the assessment of inputs relative to outputs that a grantee can know if its program is operating efficiently or if activities need to be modified. However, counting program outputs is not enough for it does not indicate whether resources are being targeted towards the right activities or whether the intended goals are being met. Measuring outcomes/results can give you that information.

Measuring Outcomes/Results: To measure outcomes, grantees should select indicators that relate to the goals established for the program. Below is a list of common indicators that can be used to measure performance. Many of these are taken directly from applicants' responses to the section of the HRF planning grid that asks how grantees will measure results.

- Goal: Suitable Living Environment/Neighborhood Revitalization
 - Increase in property values, or home sales prices as a result of a series of comprehensive revitalization efforts
 - Reduction in derelict properties and other blighting influences as a result of code enforcement, acquisition, demolition or rehabilitation
 - Number and/or percent of housing units assisted that have eliminated at least one significant health and safety deficiency as a result of housing rehabilitation, defined by local codes
- Goal: Developing Affordable Housing
 - Percent increase in the homeownership rate in targeted neighborhoods or in the community overall
 - Dollar increase in property values as a result of housing rehab
 - Number of unit years of affordability in rental projects, based on the investment of HOME dollars
 - Percent of reduction of energy use or energy costs as a result of housing rehabilitation using Energy Star building standards.

Reporting Results

Office of Community Development is asking grantees are subject to the following reporting requirements.

1. When developing or rehabilitating units, OCD asks that before and after photographs be taken and submitted electronically (if possible) at the end of the grant term (with the final report of “outcomes/results”.) Text accompanying these photographs should include the activities conducted, address of the property, and the grant number they are associated with.
2. A final report which includes:
 - a. A listing of the projected results identified in the original “planning grid”
 - b. The actual indicators used to measure the results
 - c. How the indicators were measured
 - d. The “findings” of the measurement
 - e. Lessons learned

SAMPLE FINAL REPORT

1. *Results projected in the planning grid:*
 - *As a result of the NPP in the Smithvale neighborhood, property values will increase; the number of households owning vs renting homes will increase, and families will feel safer.*
2. *Indicators to measure:*
 - *Home sale prices for comparable properties*
 - *Percent of homeowners at the beginning of the grant compared with the percent at the end of the grant term*
 - *Neighborhood survey given to a sampling of neighborhood residents at the beginning and end of the NPP. Compare results of questions regarding safety and security.*
3. *Findings and Measurement*
 - *Before the NPP started, 10 homes were for sale in the neighborhood; they represented a variety of housing styles and values. The range of sales prices went from \$24,000 - \$37,000 (averaging approximately \$31,000). In the last three months of the NPP (approximately 2 years later), 7 homes were for sale. Their sales prices ranged from \$29,000 - \$40,000, averaging about \$34,000).*
 - *Prior to the start of the NPP, the homeowner/renter ratio was 40%/60%. At the end of the 2 year period, the ratio was approximately 45%/55%; measured by data from the City (tax rolls).*
 - *A short interview-survey was administered door to door at the beginning of the NPP. (See attached complete results). Two questions were asked regarding neighborhood safety/security:*
 - i. *Q1. How safe do you feel in our neighborhood? (Rating from Very safe to Not safe at all). In the first survey, 26% reported they felt either*

extremely safe or very safe. In the second survey, 38% reported they felt either extremely safe or very safe.

- ii. Q2 How safe do you feel when your children play outdoors? (Same scale) In the first survey, only 10% felt very safe when their children played outdoors, and in the second, 16% reported feeling very safe.*

Target Area Characteristics

Below is a range of characteristics that describe appropriate target areas for different kinds of projects. Not all of these characteristics will apply to a given target area. As your application is reviewed, MSHDA will propose modifications that may improve the likelihood of your target area becoming a community of choice that is vibrant, affordable, diverse, and sustainable.

In addition to responding to the items below, please add your own criteria for achieving a community of choice. **If you plan to implement projects in more than one target area, you will need to submit a separate checklist, map and project grid for each target area:**

Name of the Target Area:

- Map of the Target Area attached.** Submit a street-level map of the target area, with boundaries clearly identified, with your application.

Indicate, as appropriate, the characteristics of the target area indicated above (comments are optional):

Yes	No	N/A	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The target area is a center of commerce for a larger area, with retail and other services, employers and other public amenities within and/or immediately adjacent to its boundaries.

Comment:

Yes	No	N/A	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The target area is strategically important to the larger community because of location, high visibility, proximity to jobs and services, etc.

Comment:

Yes	No	N/A	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Property values in the target area are low; current property owners are discouraged from investing in their property. However, housing investment through this project and related leveraged funds might realistically be sufficient to have a significant impact on the target area as a whole by motivating property owners to invest in their property as a result of the improvements they see going on around them as a result of this program.

Comment:

Yes	No	N/A	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The safety of target area residents is at risk because of abandoned or other hazardous structures which will be addressed through this project.

Comment:

Yes No N/A

The target area is a high cost area for housing; an increase in the number or quality of affordable units will promote increased income diversity in the community and enable lower-wage workers to live closer to work, school, and other opportunities.

Comment:

Yes No N/A

Housing units in the target area are in close proximity to each other; improvement of real estate will have a direct positive benefit on neighboring units.

Comment:

Yes No N/A

Rehabilitation and/or infill new construction of sites on existing public water and/or sewer in the target area supports smart growth in the area by making use of existing infrastructure capacity, protecting ground water quality, and promoting wise land use.

Comment:

Yes No N/A

The target area local government and/or community has adequate controls to assure property maintenance and prevent nuisances in order to safeguard the health and safety of residents and protect target area households and projects assisted by this proposal from loss in property value due to neighborhood blight.

Comment:

Yes No N/A

The target area includes, or is within convenient walking distance of, services and amenities for target area residents such as schools, parks, employers, and/or retail services.

Comment:

Yes No N/A

Other:

Comment:

Project Grid

Step	Guidance	Response
1. Identify your organization's housing mission.	Why does the organization exist? What elements of the organization's mission directly support the proposed project?	
2. Identify your target area (attach a map & label anchors and key areas).	Is the target area size appropriate to scale of project? Are housing units within walking distance to commercial and public services (shopping, jobs and public facilities)? Note: See <i>Target Area Characteristics</i> .	
3. Describe your housing market.	What does the data analysis from the study of your market indicate? Are there statistics or data that demonstrate trends? Are you able to link data to any or all of the following areas: image, market, physical conditions, neighborhood management?	
4. State your reasons for selecting this target area. Tell us what you know about the target area that has led you to identify this proposed project as a priority.	Why did you choose this area? What makes this area important? Why is this area important to residents and potential residents? Who have you talked to? What have you observed? How does this fit into the community plan? Is there any synergy you can capture?	
5. Describe what else is happening in your built community.	What are the outside influences? Are there job or economic changes in the built community? Are there new investments or disinvestments? What are the area's strengths and assets?	
6. Explain the challenges or problems that you want to address in this target area and explain your reasons for addressing them.	What can you improve in the target area? What opportunities exist for change? What makes these challenges or problems take priority? Are you building on the strengths of your target area or trying to "fix" its biggest problem? Who else is working in the area and what are they doing?	
7. State the results for your target area.	What will be different in terms of image, market, physical conditions and/or neighborhood management? How will people in your target area be different?	
8. List how you will measure your results.	How will you and MSHDA know that you have succeeded?	

9. List the Product Steps/Strategy you will use.	What has to be done? What does progress toward success look like? How will you move toward your desired results?	
10. Identify your customer(s).	Whose condition, satisfaction or behavior do you want to impact in order to achieve your desired results?	
11. Describe staff capacity and partnering.	Who are the staff, stakeholders, and partners (schools, econ. dev., local partners) that will carry out the project? What will they do? What kind of community support and other resources will help you achieve your desired results?	
12. Name the component(s) for which you are requesting HRF funds.	Are you applying for Homebuyer (HPR), Homebuyer (ADR), Homeowner, Rental Rehabilitation, etc.? How many units?	

SAMPLE Acquisition/Development/Resale (ADR) Grid

Step	Guidance	Response
1. Identify your organization's housing mission.	Why does the organization exist? What elements of the organization's mission directly support the proposed project?	Revitalize neighborhoods through the development of affordable housing.
2. Identify your target area (attach a map & label anchors and key areas).	Is the target area size appropriate to scale of project? Are housing units within walking distance to commercial and public services (shopping, jobs and public facilities)? Note: See <i>Target Area Characteristics</i> .	Yes. Residents can walk to school, the community center, and the park; there is some vacant land for infill housing.
3. Identify your housing market.	What does the data analysis from your market study indicate? Are there statistics or data that demonstrate trends? Are you able to link data to any or all of the following areas: image, market, physical conditions, and neighborhood management?	Current trends indicate a move towards home ownership, greater participation by residents in neighborhood projects, committees. Increased use of common areas since the beginning of the NPP. Anchors include churches, 4H center, and area schools. Recent purchase by nonprofit of focal commercial building will support the neighborhood.
4. State your reasons for selecting this target area. Tell us what you know about the target area that has led you to identify this proposed project as a priority.	Why did you choose this area? What makes this area important? Why is this area important to residents and potential residents? Who have you talked to? What have you observed? How does this fit into the community plan? Is there any synergy you can capture?	Revitalization in this area will stabilize the area around Nativity Church and keep it open for neighborhood residents.
5. Describe what else is happening in your built community.	What are the outside influences? Are there job or economic changes in the built community? Are there new investments or disinvestments? What are the area's strengths and assets?	The neighborhood is close to I-94 and Gratiot, which are major thoroughfares. The auto industry is not as stable as in the past; new service (casino) jobs, new professional ball stadiums, new mayor and a new Office of Commercial Revitalization within the City of Detroit.
6. Explain the challenges or problems that you want to address in this target area and explain your reasons for addressing them.	What can you improve in the target area? What opportunities exist for change? What makes these challenges or problems take priority? Are you building on the strengths of your target area or trying to "fix" its biggest problem? Who else is working in the area and what are they doing?	We can improve the stability of housing, neighborhood organization, and recreation. There are opportunities for new construction of housing and commercial redevelopment. CNN recently purchased a building for mixed market-rate apt/office space use. This building will also house CNN's offices.

7. State the results for your target area.	What will be different in terms of image, market, physical conditions and/or neighborhood management? How will people in your target area be different?	The image of this neighborhood will greatly improve with increased homeownership, greater neighborhood support with the CNN headquartered in the area, increased visible activity and greater safety. Property values will increase by at least 10-15% after in-fill housing completed, and other anchors in the neighborhood will report an increase in their membership.
8. List how you will measure your results.	How will you and MSHDA know that you have succeeded?	Property values comparison before and after; anchor institution membership increased; our waiting list for new and rehabilitated homes will increase from the current number of 52; and % occupancy of new commercial building.
9. List the Product Steps/Strategy you will use.	What has to be done? What does progress toward success look like? How will you move toward your desired results?	Success will include a 20% increase in neighborhood participation in block clubs, 100% occupation of new commercial building, and successful sale of all single-family new construction units contributing to greater number of households owning their own homes.
10. Identify your customer(s).	Whose condition, satisfaction or behavior do you want to impact in order to achieve your desired results?	We want to impact the potential residents, increase homeownership opportunities, stabilize the neighborhood and reduce renter-occupied housing. The customer's commitment and stake in the neighborhood will increase.
11. Describe staff capacity and partnering.	Who are the staff, stakeholders, and partners (schools, econ. dev., local partners) that will carry out the project? What will they do? What kind of community support and other resources will help you achieve your desired results?	CNN Housing Department currently has three full-time employees and relies on supporting services from CNN's main office. When the new building is completed all CNN offices will be centrally located in the Gratiot Woods neighborhood. Partners include City of Detroit, MSHDA, FHLB, MI Housing Trust Fund, Lions Football team, 4H organization, local high school, etc. The search for new partnerships is an on-going activity for the Housing Department and CNN.
12. Name the component(s) for which you are requesting HRF funds.	Are you applying for Homebuyer (HPR), Homebuyer (ADR), Homeowner, Rental Rehabilitation, etc.? How many units?	Homebuyer (ADR), Homeowner Rehabilitation, and NPP, and if available economic development activities.

SAMPLE Project Grid – Downtown Rental Rehabilitation

Step	Guidance	Response
1. Identify your organization's housing mission.	Why does the organization exist? What elements of the organization's mission directly support the proposed project?	Provide safe and affordable housing to all persons who choose to live in their community.
2. Identify your target area (attach a map & label anchors and key areas).	Is the target area size appropriate to scale of project? Are housing units within walking distance to commercial and public services (shopping, jobs and public facilities)? Note: See <i>Target Area Characteristics</i> .	A six-block area in an established downtown on Main Street between First and Third Avenues. Shopping and public facilities comprise the downtown area.
3. Identify your housing market.	What does the data analysis from the study of your market indicate? Are there statistics or data that demonstrate trends? Are you able to link data to any or all of the following areas: image, market, physical conditions, neighborhood management?	The data collected indicates property owners are leaving downtown; small business owners can't afford to maintain their property; physical conditions have deteriorated due to vacancy; discount shopping detracts from "home town" feel of Coldwater's downtown. A recent study disclosed a need for 1 & 2 bedroom rental units in the Downtown area.
4. State your reasons for selecting this target area. Tell us what you know about the target area that has led you to identify this proposed project as a priority.	Why did you choose this area? What makes this area important? Why is this area important to residents and potential residents? Who have you talked to? What have you observed? How does this fit into the community plan? Is there any synergy you can capture?	Want to bring new investment/revitalize the downtown business area. Re-establish downtown as the "hub" of the city. Want to capitalize on the opportunity to develop mixed use in existing, vacant structures.
5. Describe what else is happening in your built community.	What are the outside influences? Are there job or economic changes in the built community? Are there new investments or disinvestments? What are the area's strengths and assets?	Political support is solid. Large retailers and a multi theatre have located 2 miles outside city limits and are threatening viability of downtown businesses. Meetings with: DDA, Landlords, Businesses. Documented sales decline and activity in local restaurants. Potential is evidenced by recent purchase and rehab of a building by a local dentist who lives above her office. Other landlords/business owners have expressed interest in the development of housing rental space above their businesses. A one block targeted area is designated as a Renaissance Zone.

6. Explain the challenges or problems that you want to address in this target area and explain your reasons for addressing them.	What can you improve in the target area? What opportunities exist for change? What makes these challenges or problems take priority? Are you building on the strengths of your target area or trying to "fix" its biggest problem? Who else is working in the area and what are they doing?	Vacant buildings, storefronts; lack of "activity" downtown; current building owners need additional revenue; lack of "nice" affordable housing and mixed income housing.
7. State the results for your target area.	What will be different in terms of image, market, physical conditions and/or neighborhood management? How will people in your target area be different?	Increased attractive, mixed income, rental. Improved appearance of existing buildings. Increased revenues of businesses. Increased pride in downtown. Availability of diverse shopping/activities.
8. List how you will measure your results.	How will you and MSHDA know that you have succeeded?	Consumers will verify that there is an increase in occupied affordable rental units. Business owners will state that there is an increase in sales for downtown businesses and expanded hours for downtown businesses.
9. List the Product Steps/Strategy you will use.	What has to be done? What does progress toward success look like? How will you move toward your desired results?	<ol style="list-style-type: none"> 1. Meet with local partners to finalize commitments 2. Secure financing for leverage 3. Work closely with local inspector/code enforcement 4. Create and disseminate instruments for baseline data re: sales, traffic, satisfaction, etc. 5. Develop ultimate "market" mix and recruit businesses and renters 6. Market the program
10. Identify your customer(s).	Whose condition, satisfaction or behavior do you want to impact in order to achieve your desired results?	Landlords, business owners, renters, consumers. Create a stable income for business owners. Offer more varied housing choices for consumers.
11. Describe staff capacity and partnering.	Who are the staff, stakeholders, and partners (schools, econ. dev., local partners) that will carry out the project? What will they do? What kind of community support and other resources will help you achieve your desired results?	City planning staff person (name) and DDA director (name) are championing the project. First Third wants to increase its customer base in the area. Rural Development, realtors, press, Chamber of Commerce, MEDC are current partners. Current businesses/property owners are excited about participating. MSHDA PIP source of LL leverage.
12. Name the component(s) for which you are requesting HRF funds.	Are you applying for Homebuyer (HPR), Homebuyer (ADR), Homeowner, Rental Rehabilitation, etc.? How many units?	CDBG for Rental Rehab and façade improvements targeted in the Downtown area.

SAMPLE Homeowner / ADR Project Grid

Step	Guidance	Response
1. Identify your organization's housing mission.	Why does the organization exist? What elements of the organization's mission directly support the proposed project?	The City of St. Joseph's mission is to preserve and enhance our neighborhoods, and provide safe, decent and affordable housing.
2. Identify your target area (attach a map & label anchors and key areas).	Is the target area size appropriate to scale of project? Are housing units within walking distance to commercial and public services (shopping, jobs and public facilities)? Note: See <i>Target Area Characteristics</i> .	Project is located in the City of St. Joseph. Project is targeting a four block region consisting of 50% homeowner and 50% rental within walking distance to shopping and services.
3. Describe your housing market.	What does the data analysis from the study of your market indicate? Are there statistics or data that demonstrate trends? Are you able to link data to any or all of the following areas: image, market, physical conditions, neighborhood management?	This neighborhood in St. Joseph was chosen based on a market study which indicated a need for homeowner rehabilitation and an area with an extremely high rental proportion. This area is now 50% rental and the market study shows this is a 10% increase in the last 5 years. This neighborhood is also located right as you enter the City of St. Joseph, so it sets the tone for the image of the City.
4. State your reasons for selecting this target area. Tell us what you know about the target area that has led you to identify this proposed project as a priority.	Why did you choose this area? What makes this area important? Why is this area important to residents and potential residents? Who have you talked to? What have you observed? How does this fit into the community plan? Is there any synergy you can capture?	This area was chosen to stabilize existing owner occupied units and possibly foster the conversion of rental units to owner occupied. Current statistics in the city are 42.4% rental, we hope to reduce this figure to 40% by 2005 and 36% in 2010.
5. Describe what else is happening in your built community.	What are the outside influences? Are there job or economic changes in the built community? Are there new investments or disinvestments? What are the area's strengths and assets?	We have been fortunate to attract approximately 535 jobs to our community. New construction has not been limited to commercial and residential structures. We have newly constructed recreational parks and activities: skateboard park, bike trail, and ice arena. Also, the city is aggressively making improvements to its infrastructure.

<p>6. Explain the challenges or problems that you want to address in this target area and explain your reasons for addressing them.</p>	<p>What can you improve in the target area? What opportunities exist for change? What makes these challenges or problems take priority? Are you building on the strengths of your target area or trying to “fix” its biggest problem? Who else is working in the area and what are they doing?</p>	<p>Stop conversion of single-family units to rental Identify homeowners who income qualify due to high cost area. High proportion of elderly living in large homes without the resources or ability to maintain.</p>
<p>7. State the results for your target area.</p>	<p>What will be different in terms of image, market, physical conditions and/or neighborhood management? How will people in your target area be different?</p>	<p>The neighborhood residents of this target area will have a better sense of pride because homes have been rehabbed and the overall appearance of their neighborhood will look better. Also, as a result of the City completing ADR units more affordable housing will be available in this neighborhood.</p>
<p>8. List how you will measure your results.</p>	<p>How will you and MSHDA know that you have succeeded?</p>	<ol style="list-style-type: none"> 1. The appearance of the neighborhood will demonstrate a sense of pride. The exteriors of the homes will not only be maintained but display a sense of pride through landscaping and lawn care. 2. The number of rental units will decrease, and owner-occupied units will increase. 3. The SEV’s will increase at the same rate as the rest of the city.
<p>9. List the Product Steps/Strategy you will use.</p>	<p>What has to be done? What does progress toward success look like? How will you move toward your desired results?</p>	<ol style="list-style-type: none"> 1. Continuation of existing Homeowner Rehab program and maintenance training. 2. Define PEN (ADR) program parameters to convert rental to single family. 3. Design and implement an effective marketing and outreach with particular emphasis on elderly to educate. 4. Continue: open discussion at precinct meeting on the needs of the community; continue strict property maintenance code enforcement; publish articles in the newsletter; provide leverage for available rehab programs.
<p>10. Identify your customer(s).</p>	<p>Whose condition, satisfaction or behavior do you want to impact in order to achieve your desired results?</p>	<p>Homeowners and potential homebuyers in the middle income category. Want to create a sense of neighborhood and community by increasing year round residents.</p>

<p>11. Describe staff capacity and partnering.</p>	<p>Who are the staff, stakeholders, and partners (schools, econ. dev., local partners) that will carry out the project? What will they do? What kind of community support and other resources will help you achieve your desired results?</p>	<p>Sue Smith, city employee, will be in charge of completing the grant. She has very successfully completed three prior MHSDA grants. The city has committed to providing a 25% leverage, as well as, any homeowner contribution and FHLB. The City has also created the PEN program, Preserve & Enrich our Neighborhoods. This is general fund money set aside to acquire rental property within the target area and convert it to single family.</p>
<p>12. Name the component(s) for which you are requesting HRF funds.</p>	<p>Are you applying for Homebuyer (HPR), Homebuyer (ADR), Homeowner, Rental Rehabilitation, etc.? How many units?</p>	<p>Homebuyer Acquisition Development and Resale (ADR) and Homeowner Rehabilitation</p>

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D. CD INVESTMENT PRIORITIES and TARGETING STRATEGIES

The following priorities are intended to provide guidance regarding Office of Community Development priorities for investment by the Housing Resource Fund. Applicants for funding should consider these priorities as they plan projects to propose for funding.

OCD's desired outcome for HRF funding is that our investment helps create or sustain a "community of choice". A community of choice is a vibrant, sustainable, affordable, and diverse place, where people choose to live and stay.

The overall test of a community of choice is whether current or prospective residents with sufficient resources to have a choice about where to live might choose this neighborhood over others.

A key characteristic of a community of choice is the presence in the neighborhood market of real property with sustainable market value (i.e., property values that are high enough to encourage reinvestment in ongoing maintenance; sustainable property values are the primary indicator of how prospective residents are exercising choice in the market). Communities of choice also typically receive adequate municipal services and public safety, or have a "critical mass" of long-term residents (usually owner-occupants) to support neighborhood networks which can effectively advocate for public services sufficient to sustain a high quality of life.

TARGETING STRATEGIES

Most communities throughout the state are already "communities of choice" in the above sense. These neighborhoods generally do not require targeted intervention with OCD resources. But they may have other problems, such as very high cost. These neighborhoods have their own problems which prevent low income households from "choosing to live and stay," such as lack of affordability. These problems may also be addressed by OCD resources, but the approach to targeting quite different. For example, the creation of affordable housing in a high-cost area should generally *not* be targeted with the result of creating a "poverty pocket" but should be scattered throughout the high-cost market.

But in other areas, such as disinvested neighborhoods or a downtown not currently thought of as a "residential neighborhood," targeting is an essential tool for achieving a long-term impact on the neighborhood—and the resulting positive outcomes for property owners and residents. Other areas may be at a "tipping point"—one way or the other—and a more limited intervention and/or a somewhat broader target area may be appropriate

To create or sustain a community of choice with the help of HRF funding there generally must be a manageable target area where a measurable physical impact or change in the resident mix (such as income diversity or proportion of owner-occupants) in the target area is expected within 2-5 years.

Target areas should be recognizable by residents and the public, with defined boundaries such as major streets, changes in land uses or natural features. There should be physical, economic and/or historical internal focal points, such as churches, schools, shopping districts, parks, or other physical and social anchors? Preferably, the target area should be accessible by public transportation or within walking distance to a viable commercial/retail area.

Depending on the nature of the housing and community problems to be address and the housing projects proposed, target areas may be quite different. For a small community with little variation in the types of housing and neighborhoods, the entire municipality may be the target area—or even two or three communities that share a common economy or major employer. In other cases, the target area may be a single block. The common thread is that the intended positive impact of the housing project on the community should be evident and clearly linked to local community problems, the target area, the housing project proposed and the other local efforts in place to support its intended outcomes.

The Investment Priorities below are an effort to apply these targeting strategies to the types of communities served by OCD's partners, and to provide some overall principles for successful applications for funding for projects which will achieve these outcomes.

INVESTMENT PRIORITIES

- **For projects in areas needing revitalization, HRF prioritizes projects that can be expected to have substantial positive community impact, such as projects in target areas that are highly visible and/or adjacent to traditional centers of commerce.** An important outcome from HRF projects is their anticipated positive effect on community investment patterns—as the housing and physical condition of real estate is improved, owners are encouraged to improve other property and the target area moves toward sustainability. The broader impact of these projects is felt where improvements are highly visible, such as locations near downtown or neighborhood commercial areas.
- **Targeted housing projects should contribute to the implementation of a local coordinated strategy.** Applicants for targeted programs should, at a minimum, identify in their application the issues that must be addressed to maximize the likelihood that housing units produced will contribute to the longer-term improvement of the quality of life in the target area. Since HRF funds are limited, these strategies have better prospects for success if they are supported by a number of local partners, including local government. Where substantial transformation in a target area is needed, such as for extensively disinvested neighborhoods and NPP target areas, local government and private sector commitments should be substantial.
- **Coordination with other state agencies contributes to the success of a revitalization strategy.** MSHDA works with other state agencies to coordinate initiatives to benefit communities. CD will consider the identification of a target area or development project by such initiatives as Neighborhood Enterprise Zone, Main Street, Cool Cities Designated Neighborhood, Michigan Blueprints or other focusing of resources as one factor in determining project priority, because such a designation leverages additional financial resources, improvement of services, and/or promotional assistance. These designations are not determinative for CD, however, and rarely make an otherwise marginal project worthy of funding, nor do they extend funding priority to other areas of a city beyond the actual neighborhood or impact area of the designated project.

- **Prior to undertaking new construction a plan for revitalization and evidence of on-going rehabilitation in target distressed areas should be in place.** If there is substantial evidence of blight, substandard infrastructure, deferred maintenance and/or boarded-up or abandoned structures, these depress the value of new construction and generally suggest lack of market demand to support the creation of yet more housing units. These blighting conditions and any underlying lack of demand should be addressed in a strategic plan and remediation well underway with visible improvement in neighborhood physical conditions prior to implementing significant in-fill new construction projects.
- **Acquisition, Development, & Resale (ADR) to address disinvestment is typically a neighborhood-oriented strategy.** These programs should be targeted at neighborhoods where substantial rehab is not currently sustainable (i.e., is not economically feasible for the private sector), but where program activity may eventually be expected to increase housing values. As a result, ADR programs are most applicable to neighborhoods with (a) rehab stock available at reasonable cost, (b) signs of disinvestment but no evidence of wholesale abandonment, and (c) housing units in close proximity to each other (so that improvements to properties in the program directly benefit adjacent units). These neighborhoods should also evidence (d) some presence of owner-occupants who maintain their properties, and (e) an active neighborhood group, preferably a CHDO, to support continuing revitalization efforts. Applicants should note that lasting revitalization in such areas depends on strategies to increase market values in the neighborhood; completed projects should be aggressively (i.e., professionally) marketed to the general public, typically by a Realtor-member of the local Multiple Listing Service, to maximize resale values. In neighborhoods where no comparable properties exist, properties may be listed for prices based on market analyses provided by competing prospective listing agents, to assure maximum sale price. **This strategy is one that is likely to be very difficult to do given the current state of the housing market.**
- **Acquisition, Development, & Resale strategies may also be used to add affordable housing units in high-cost markets that are already communities of choice.** Since the creation of affordable opportunities for home ownership increases diversity (racial, economic, etc.) the creation of affordable housing in these markets is one of CD's Investment Priorities. However, since subsidies for homebuyer equity is more a "household" benefit than a "community" benefit (i.e., predominantly benefit the assisted household), such subsidies must be reasonable and, under HUD regulations, are subject to recapture (i.e., are secured by a mortgage). Where the per-unit cost of homebuyer subsidies is high, CD may require that homeownership projects create permanently affordable homeownership opportunities (such as land trusts). Properties in these high cost areas can be hard to find, therefore the target area is often the market area itself, focusing on the availability of property appropriately located in the community and suitable for housing development. **This strategy is one that is likely to be very difficult to do given the current state of the housing market.**
- **Homebuyer Purchase & Rehabilitation is market-oriented.** These programs are generally best done in a broader target area to assure that appropriate options are available for buyers. These programs are appropriate for areas such as smaller communities and/or higher cost markets, where local market conditions render geographic clustering of units for revitalization either impossible or inappropriate. Depending on the characteristics of the community and the neighborhood(s) being targeted, a HPR target area needs to balance large enough to offer participants a choice among homes for sale and small enough to create the community impact. Often, HPR target areas are consistent with sustaining a

Community of Choice, allowing people to buy within a designated wider market area. In other cases, HPR target areas may be intended to help encourage investment in neighborhoods that, while not highly distressed, are not otherwise most buyers' first choice. In these cases, HPR prevents further deterioration and over time improves the overall health of a neighborhood.

In such cases, grantees should be actively involved in the home shopping process to assure that participating families get a good value in a home that is close to services that the family uses most—especially with regard to places of employment and, secondarily, to essential retail services. Rehab measures under HPR should generally be limited to those which may otherwise necessitate a major repair expense within the next 5 years, or other repairs to improve the integrity of the structure (new windows to reduce heating costs, etc.). Eligible repairs should be spelled out in consistent local policy. Internal cosmetic changes or discretionary floor plan changes should be avoided.

- **ADR and HPR may be combined to support a comprehensive targeted strategy.** Increased homeownership is often an important component of a targeted revitalization strategy for a neighborhood of single-family homes. Grantees may wish to implement projects using both ADR (to increase the supply of quality housing in the target area) and HPR (to incentive buyers to consider investing in the target neighborhood) to approach the revitalization task from both the supply and demand perspective, simultaneously. The effectiveness of such a strategy depends on the capacity of the grantee to not only identify and control strategically important properties but also to implement buyer-focused programs, such as homeownership counseling. Such applications, however, must clearly distinguish the different goals of these programs, and should not fall into the trap of buying and rehabbing an ADR unit based on the consumer preference of a specific buyer family. The rule of thumb is that where the assisted family is selecting the unit, rehab should be moderate (typically, HPR). Where rehab is extensive, it should be because the site is important to the community as a whole, not just to a specific family.
- **Housing development should contribute to a sense of community and make efficient use of open space and existing infrastructure.** MSHDA will prioritize projects that increase activity and opportunities for private investment in community settings where housing, services and their supporting infrastructure are already in place. To the extent possible under local conditions, OCD new construction projects will feature high quality homes on smaller lots, decreasing both infrastructure costs and any visible division in the community between the “old” and the “new.” Assisted affordable new construction should at least be consistent with the general character of the housing throughout the community, including its older housing, enlarging the existing community rather than dividing it. New construction must be served by public water and/or sewer, and where appropriate, include curb-and-gutter, sidewalks, paved streets and other amenities consistent with and/or enhancing the surrounding neighborhoods.
- **Owner-occupied housing rehabilitation (homeowner rehabilitation) can be an important component of creating or sustaining a community of choice.** Often relatively healthy neighborhoods have a high percentage of low/moderate income homeowners. These homeowners may want to stay in the neighborhood but need the funds to maintain their properties. Their investment in their property can be key to maintaining a community of choice. Homeowner rehabilitation in a target area with HRF funds may not be needed if the CDBG-funded County Allocation program has sufficient funds to cover the needs the neighborhood (as well as the rest of the county); as a result, proposals for such programs

should be able to clearly demonstrate that the lack of ability of homeowners to maintain their property is a serious community problem.

In addition, OCD will consider targeted homeowner rehabilitation programs that are part of broader local efforts to revitalize distressed neighborhoods. Such programs, however, should be only one part of a more substantial locally initiated plan to address neighborhood deterioration. Applicants who can demonstrate significant local neighborhood investments—such as infrastructure, code enforcement, parks, schools, etc., in strategically important neighborhoods—that are deliberately coordinated with a targeted homeowner rehabilitation program will be prioritized.

- **Rental Rehabilitation generally should be used as a strategy limited to target areas in and around downtown and other areas where there is a prevalence of smaller mixed use (commercial and residential) buildings.** The strategy can include creating new units in vacant space above storefront buildings. Due to our limited resources, OCD discourages community-wide rental rehabilitation programs. The lack of affordable rental housing should be addressed with resources that are more plentiful, such as Low Income Housing Tax Credit, MSHDA Multi-family rental development funds, USDA Rural Development funds, etc.
- **Multiple housing activities are sometimes needed to address housing needs in a target area.** OCD desires that Grantees insure that the most critical housing needs of a target area be addressed with HRF and other funding. This may mean that although homeowner rehabilitation (HO) is the primary need in the target area a few key rental properties need to be addressed with RR funding to have the desired visible impact in the target area. It might also mean that a vacant property in foreclosure on a major street that in the heart of the target area should be acquired, rehabilitated and sold under ADR to eliminate this highly visible eyesore. Grantees are encouraged to use any tools necessary to address the comprehensive needs of the target area and to achieve the greatest impact.

CONSIDERATIONS FOR EVALUATING PROJECTS

- **The capacity of the applicant group to complete the project should be evident in the proposal.** The scope of the project should be reasonable in relation to the track record of the organization and/or the experience of its personnel, and/or by a formal capacity-building plan with professional contractors. In evaluating capacity, the Office of Community Development takes into account a variety of factors, including (but not limited to) track record on similar projects, experience of current staff, and extent of other activities and development projects to which the applicant is currently committed.
- **Communities proposing a rental rehabilitation activity must demonstrate an active code enforcement policy and/or an appropriate strategy to assure both that (a) landlords will be motivated to participate, and (b) other rental properties, not assisted by the program, are maintained.** OCD's resources are never sufficient to address rental housing quality issues community-wide; applicants are expected to provide evidence that sufficient community resources can be leveraged to maintain a reasonable standard for rental housing throughout the target area.
- **Homeowner rehab must provide for broad outreach to all eligible residents of the area.** Homeowner rehab is generally best undertaken by organizations which can be held accountable for providing adequate program outreach. This outreach component will be a major factor in the evaluation of the proposal.

- **Homebuyer programs can't depend on fixing bad credit.** Homebuyer programs should generally be limited to buyers who are qualified borrowers or nearly mortgage-ready at the time of the sale. All homebuyer programs must demonstrate an adequate homeownership counseling component.
- **Private DPA programs such as Ameri-Dream and Neighborhood Gold are prohibited** unless specifically approved after MSHDA review. These programs charge a fee to the seller and increase the sale price to provide "DPA" to bring a property back down to its original market value; these are not comparable to "the best mortgage typically available on the conventional market." The mortgage market is awash with products which take advantage of the emotional involvement and limited understanding of homebuyers. Such programs will become less common as federal regulators at both the IRS and FHA have challenged their appropriateness. If staff members are unfamiliar with a program, ask. (Note: "Ameridream" is not related to HUD's "American Dream Down Payment Initiative.")
- **If the applicant group does not appear to have the capacity to implement the proposed project, the applicant may be considered for Technical Assistance.** OCD provides tools and other assistance to nonprofits and local governments for self-assessment, assessment by CD staff, and/or assessment by contracted consultants, depending in the situation. Once a group's capacity is evaluated in light of its organizational goals and the local housing needs, OCD can often assign additional technical assistance, as appropriate.
- **The applicant should demonstrate an understanding of the way different funding sources, including grant funds, are used efficiently in a project.** As capacity among nonprofits and local governments has increased, funding for subsidies has become relatively scarcer. As a result, grantees should demonstrate the ability to use a variety of sources, including construction financing to increase the production of affordable units that can be produced from their HRF grant. To encourage leveraging, OCD permits applicants to request that a developer fee be included in their project budgets in lieu of an administration line item. However, grantees need to assure that development projects are not "over-leveraged." For homebuyer projects, this means that construction financing cannot exceed an amount that can be repaid from sale of the property at market value for the neighborhood. For rental projects, applicants must assure that end financing can be repaid and the project maintained from rental income. In order to assure that these risks are minimized, the HRF application includes standard work sheets, called "pro formas" to help applicants estimate the amount of subsidy funds that are required. These pro formas are important tools for the analysis of affordable housing projects, and grantees will be evaluated based on their ability to meet production targets. As a result, the ability to use grant funds efficiently depends on a basic understanding of financing real estate development, including the typical sources and uses of funds in a real estate transaction and/or development project.
- **Lower income households require deeper subsidies.** In its efforts to provide affordable housing, MSHDA recognizes that the more affordable the housing, the higher the subsidy is likely to be. OCD will make considerations for the additional cost of making housing more affordable as long as (a) the investment is reasonable, (b) the income levels and credit records of the buyers or tenants are sufficient enough to assure that the property is likely to be maintained and timely payments made, and (c) there are no less expensive reasonable alternatives in the local housing market.

- **Ask questions; conduct reality checks.** CD staff should raise reasonable questions about all elements of a project as proposed in the application and project set-up. Examples: Are the promised impacts of a project reasonable? Are subsidy levels reasonable for the market? Will the limited market of homeowners or landlords be willing to accept the required lien provisions? Is there a market for new construction (i.e., more housing units) in a neighborhood with very low property values? If a grantee is projecting high development subsidies *and* high homebuyer subsidies, what's going on?

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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

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G. HOMEBUYER ASSISTANCE

Homebuyer Assistance may be used to expand homeownership opportunities for low-income homebuyers through the acquisition, rehabilitation or new construction of single-family units. Funds may be used to help low-income buyers qualify for conventional financing either (a) by using the proceeds of sale of grantee developed properties to provide second mortgage financing, or (b) by providing down payment assistance for units offered for sale in the local market.

ELIGIBLE ACTIVITIES

Acquisition
New Construction
Rehabilitation
Down Payment Assistance

POTENTIAL HOMEBUYER APPLICANT GUIDELINES

Cost-effective and prudent management of a homebuyer program using public funds to subsidize a home purchase requires that several parameters be observed. For all homebuyer projects, compliance is expected with the following points; grantees recommending exceptions to these parameters must get prior approval on a case-by-case basis from OCD. Grantees will be responsible for representations or commitments made to prospective buyers without prior approval:

- **All homebuyers served will receive mortgages with interest rates and closing costs at the best available to borrowers with good credit in the local market.** Buyers qualifying only for sub-prime mortgages not only increase subsidy costs and reduce the number of households who can be served by the program but are also less likely to be successful homeowners over time.

More specifically, MSHDA will only provide Homebuyer Subsidy Second Mortgage financing in conjunction with first mortgage loans that meet the following criteria outlined in Attachment A, First Mortgage Requirements for CD Funded Homebuyer Projects.

- **All buyers receiving a homebuyer subsidy will be qualified by local lenders to spend at least 25% of their income for housing.** Lenders normally qualify buyers for up to 29-33% of their income for housing. Buyers qualifying for less than 25% of income usually have higher consumer and other non-housing debt, which increases subsidy costs.

- **All buyers served will have incomes at least 40% of the Area Median Income, adjusted for family size.** While OCD supports affordable housing programs for extremely low-income households, homebuyer programs are not normally the best strategy; homeowners must have sufficient discretionary funds to maintain their homes and make timely mortgage payments.
- **Grantees who offer homebuyer assistance must assure that all homebuyers receive pre-purchase homeownership counseling.** The counseling must be provided through the MSHDA Homeownership Counseling Network unless MSHDA pre-approves a non-network counseling agent.

When working with prospective homebuyers, a few additional guidelines should be kept in mind.

- Everyone is not ready to purchase a home nor is homeownership the best alternative for every household. Increased homeownership is a positive outcome only if the new homeowners are successful.
- You should work to reduce the debts of persons working to create a budget, rather than increasing the amount of the subsidy.
- A rule of thumb to use is that the purchaser should not pay more than 41% to 45% of their income for all debts including the housing payment.
- Persons who have debts greater than what is allowed by the local lenders should be counseled and their total debt picture should be reviewed. This review should be conducted prior to allowing a home purchase to take place.
- OCD requires that buyers provide at least 1% of the purchase price from their own funds. Local lenders frequently require more.

FACTORS TO CONSIDER WHEN APPLYING FOR HRF FUNDS

Homebuyer Models. Two basic models of homebuyer assistance have been developed from the experience of previous recipients of MSHDA funds. These models are:

- Acquisition/Development/Resale (ADR). *Activities normally include acquisition and/or rehabilitation or new construction.* This model is designed to help a grantee acquire real estate, construct new units or thoroughly rehabilitate existing units, and then resell the properties to income-eligible homebuyers. This model combines homebuyer subsidy and development subsidy, by funding acquisition and construction (including demolition with new construction) and permitting sufficient funding to be retained to provide a portion of the down payment and/or principal reduction for the buyer. The maximum MSHDA assistance is limited to the minimum amount required to achieve feasibility. ***Applicants planning to acquire and resell real estate with their HRF grant will need to analyze their local market and complete the ADR Pro Forma as part of their application to project the number of units that can be produced with their grant.***

- Homebuyer Purchase/Rehab (HPR). *Activities normally include rehabilitation and down payment assistance.* This model allows a grantee to help an eligible household become homeowners by providing down payment assistance and moderate rehabilitation assistance to help the buyer qualify for an affordable mortgage. If considering implementing projects of this type, applicants should build relations with local lenders prior to applying. Lenders should be encouraged to consider the after-rehab value of the unit when determining the amount the prospective homebuyers can qualify for. Grant funds are used to (a) help the buyers meet the lenders qualifying ratios and other requirements, (b) assure that low-income households do not owe substantially more than the after-rehab value of the unit, and (c) help the buyers avoid costly repairs during the early years of their homeownership. The maximum MSHDA assistance is limited to the minimum amount required to achieve feasibility. **Applicants planning to help eligible households select, repair and finance real estate with their HRF grant will need to analyze their local market and complete the "HPR Pro Forma" as part of their application to project the number of units that can be produced with their grant.**

The applicant may propose **other types of homebuyer assistance** that may not be covered by the above models. Applicants may propose projects which fall outside the assistance parameters described in this section; however, such applicants must establish (a) a compelling need for affordable housing and/or revitalization in the local market, (b) that such programs cannot be delivered within the HRF parameters, and (c) that if the project is implemented, there is a high likelihood that the anticipated results (i.e., outcomes) described in the application will be achieved.

When considering **new construction** of any type, applicants must document sufficient demand for the units in the neighborhood market. In making this case, grantees should consider the following: (a) current and historical market data (e.g., number of vacant structures, number of homes for sale); (b) data showing supply is inadequate for demand; (c) data showing abnormally high housing costs; (d) documentation that residents have difficulty finding adequate housing; (e) an explanation of how this data supports the requested new construction; and (f) an explanation of the data sources and survey methods used for the determination. *The existence of abandoned, boarded-up or other vacant units in the target area suggests low market demand; new construction is not usually approved for such areas until the vacant units are either rehabilitated and occupied or demolished.*

Additionally, OCD requires that all **new construction** homes meet or exceed 5 Star Energy Standards under the US Department of Energy's Energy Star Program. In addition, newly built homes are required to comply with OCD's Visitability Standards (see Attachment E to Policy Bulletin #10).

Sales and Marketing Plan for ADR Projects: Applicants proposing to develop property for resale (i.e. ADR) will be required to prepare and submit a Sales and Marketing Plan for ADR Projects. Prior to the disbursement of awarded funds, this plan will need to be reviewed and approved by MSHDA. Attachment C outlines the requirements for the Sales and Marketing Plan and provides commentary that further describes considerations CD will use in evaluating this plan in relationship to your application.

Revitalization of distressed areas is a complex task, involving many local factors, often including non-housing issues such as schools, public services, lack of jobs in the local market, etc. An applicant proposing housing activities to support revitalization must establish that the work plan proposed in Part V of the application is likely to result in the outcomes proposed in Part II.

APPLICATION PROCEDURES FOR FUNDING UNDER THE HOMEBUYER ASSISTANCE COMPONENT

Application Budget. Apply for funding under the Homebuyer Component; "ADR" is not an activity. Activity line items should indicate the elements of the development proposed projects where HRF funds are likely to be needed. Budget totals should be based on the proformas for development projects. HRF funds requested should correlate with the total "MSHDA funds needed for units of this type" on the pro forma(s) included in the application.

HRF Application, Part III: Component Compliance Guidelines: Complete the Homebuyer Assistance Component Compliance Guidelines. Call your CD Specialist if you have questions about any of the requirements.

HRF Application, Part IV: Resources: Homebuyer programs involve real estate development. A completed pro forma, which provides an analysis of a typical completed project under the grant, is required as part of your application. Use the appropriate pro forma. **If you are planning to acquire property for development,** complete the ADR pro forma. If applicable, also note the paragraph on "new construction" above. **If you are planning to help families shop for property and implement essential repairs,** complete the HPR pro forma. If neither applies to your project, please contact your CD Specialist to discuss procedures for proposing an alternative program model within your application. Attach a summary of any market data you have assembled to support the project.

**Michigan State Housing Development Authority
Housing Resource Fund**

HOMEBUYER ASSISTANCE QUICKFINDER

Eligible Applicants	
Eligible Applicants	<ul style="list-style-type: none"> • Local units of government • Nonprofits, including CHDOs
Eligible Households & Properties	
Eligible Households	<ul style="list-style-type: none"> • Targeted to households with incomes between 40% and 80% Area Median Income AMI
Eligible Properties	<ul style="list-style-type: none"> • Single family, condominium, co-op • Housing which was not previously occupied (e.g., new construction) must be on site served by public water and/or sewer • Manufactured housing less than 10 yrs. old on fee simple lots (only allowed under stand alone DPA)
Property Value / Cost Limits	<ul style="list-style-type: none"> • After rehab or construction, the property value must not exceed HUD Single Family Value (FHA 203(b)) limits • If funded with HOME funds, the per unit investment of HOME funds cannot exceed the HUD-published limits, based on section 221(d)(3) of the National Housing Act.
Eligible Activities	
	<ul style="list-style-type: none"> • Acquisition • Rehabilitation • New construction • Down Payment Assistance
Homebuyer Program Models	
Down Payment Assistance (DPA)	<ul style="list-style-type: none"> • As stand alone activity, conducted only by counties under a County Allocation program in areas where Links to Homeownership is not available. • Up to \$10,000 for down payment and closing costs
Homebuyer Purchase/Rehab (HPR)	<ul style="list-style-type: none"> • Combines DPA with moderate rehab funding • Maximum combined assistance: \$37,500, inclusive of up to a maximum of \$10,000 for DPA at closing • Note: HPR does not have a specific limit on the Homebuyer Subsidy; limits are applied to how much OCD funding is provided for specific categories of cost as shown above.
Acquisition Development Resale (ADR)	<ul style="list-style-type: none"> • Acquisition and either new construction or rehabilitation • Combines development subsidy and homebuyer subsidy which can be used for down payment, closing costs, and buy down for affordability • Maximum combined assistance (including homebuyer subsidy) per unit: \$75,000 HUD \$ Homes outside of the grantee's target area are capped at \$40,000 • Maximum homebuyer subsidy \$30,000 • Minimum homebuyer subsidy is \$1,000, and the first \$10,000 of the HB subsidy is forgivable at 1/60th per month for 60 months (5 years)
Other Models	<ul style="list-style-type: none"> • May be proposed by applicant, subject to MSHDA approval • Must be consistent with affordability guidelines and per unit caps for other models

Eligible Costs	
Acquisition	<ul style="list-style-type: none"> • Actual acquisition cost - ADR only
Project Hard Costs -- HPR/ADR	<p>The actual cost of constructing or rehabilitating housing, including:</p> <ul style="list-style-type: none"> • Costs to meet applicable new construction or rehabilitation standards • Energy-related repairs or improvements • Improvements necessary for persons with disabilities • Abatement of lead-based paint hazards • Improvements necessary to ensure marketability - Utilities, insurance, security, maintenance (lawn, snow removal) during construction/rehabilitation.
Project Soft Costs	<ul style="list-style-type: none"> • If grantee is being paid a developer fee, project soft costs will be paid from the fee • If grantee is receiving administrative reimbursement, reasonable and necessary costs associated with construction/rehabilitation/sale
DPA	<ul style="list-style-type: none"> • County Allocation programs only: funds provided can include a portion of the required down payment, prepaid expenses, reasonable closing costs, and a principal reduction payment. DPA assistance is limited to \$10,000
Developer Fee	<p>Limits based on Project Type (Policy Bulletin #29)</p> <ul style="list-style-type: none"> • ADR w/ new construction or substantial rehab (over \$25,000): 15% of total project cost • ADR w/ moderate rehab (\$25,000 or less): 10% of total project cost • Homebuyer Purchase Rehab: 8% of total project cost
Property Standards	
Housing Quality	<ul style="list-style-type: none"> • DPA: Section 8 Housing Quality Standards • ADR/HPR: <ul style="list-style-type: none"> – Local codes, ordinances and standards – If no local standards, must meet either National Building Code (BOCA), or Council of American Building Officials One to Two Family Code (CABO), or Minimum Property Standards set forth in 24 CFR 200.925 or 200.926) • Must be met within 90 days of occupancy for HPR, with no health/safety defects at occupancy • ADR New Construction: <ul style="list-style-type: none"> – Energy Star 5 Star; and – OCD Visitability Requirements
Resale/Recapture Requirements	
Document Required	<ul style="list-style-type: none"> • Note and mortgage as provided by MSHDA, with MSHDA as the mortgagee.
Compliance Requirements	<ul style="list-style-type: none"> • Continued owner-occupancy through the compliance period • If sale, subject to recapture as noted below under Loan Terms

Other Requirements	
Federal Laws & Regulations	<ul style="list-style-type: none"> • Refer to Housing Resource Fund (HRF) Summary, Major Laws Applicable to the Housing Resource Fund
Program Design Requirements	<ul style="list-style-type: none"> • Pre-purchase homeownership counseling required, through MSHDA Network or pre-approved counselor • All homebuyers served will receive mortgages with interest rates and closing costs at the best available to borrowers with good credit in the local market. (See First Mortgage Expectations in HRF Summary) • All buyers receiving a homebuyer subsidy will be qualified by local lenders to spend at least 25 percent of their income for housing. • All buyers served will have incomes at least 40 percent of the Area Median Income, adjusted for family size. • All development projects will be located in target areas as approved by MSHDA at the time of application
Project Completion	<ul style="list-style-type: none"> • All units must be completed and sold within 24 months of project set-up
Parameters of MSHDA Assistance	
Loan Terms	<ul style="list-style-type: none"> • All projects providing homebuyer assistance will have a deferred second mortgage for the difference between the amount of funds provided by the eligible buyer and the market value of the completed project plus buyers' closing costs and prepaid escrows. • Where MSHDA is providing construction financing, MSDHA will hold a mortgage for the entire amount of assistance used for construction financing. The lien will be discharged in return for the payment of all proceeds of sale not subject to an approved senior lien, up to the amount of assistance, as long as the sale is to an eligible household at market value
Minimum HRF Investment Per Assisted Unit	<ul style="list-style-type: none"> • \$1,000 per HRF-assisted units
Maximum HRF Investment Per Assisted Unit - DPA	<ul style="list-style-type: none"> • Up to \$10,000 for down payment and closing costs
Maximum HRF Investment Per Assisted Unit - HPR	<ul style="list-style-type: none"> • Up to \$37,500 in total assistance including a maximum of \$10,000 for down payment and closing costs at the time the property is acquired.
Maximum HRF Investment Per Assisted Unit - ADR	<ul style="list-style-type: none"> • Up to \$75,000 in total net assistance including a maximum of \$30,000 in Homebuyer Subsidy (i.e., down payment and closing costs to the buyer).

For More Information:

Refer to the HRF Summary, contact your MSHDA CD Specialist, or call 517-373-1974

FIRST MORTGAGE REQUIREMENTS FOR CD FUNDED HOMEBUYER PROJECTS

MSHDA will only provide Homebuyer Subsidy Second Mortgage financing in conjunction with first mortgage loans that meet the following criteria:

1. MSHDA expects that buyers will be directed first to MSHDA Single Family mortgage products. When other products are being used, the interest rate should be no more than 150-200 basis points above the MSHDA Single Family standard interest rate. Additionally, the interest rate should be within 100 basis points of the current national average 30-year fixed rate as published weekly by Freddie Mac.
2. Loans should be fully amortizing and have a minimum fixed-rate term of at least 30 years. MSHDA will not accept adjustable rate mortgages (ARMs), balloon loans, or interest only loans for first mortgage loans. In some cases, with prior permission from CD, stepped interest rate loans may be considered that charge one interest rate for the first period—24-36 months—of the term and a slightly changed one for the duration.
3. Closing costs must be competitive and reasonable. MSHDA will allow a 1% point origination fee and up to a maximum \$200 underwriting fee in addition to actual third-party closing costs (such as the appraisal, credit report fee, etc.). Additional fees paid to or collected by the lender or broker such as application¹, processing, commitment, and similar fees are generally not acceptable. Single-premium credit life insurance is not allowed under any circumstances as a required closing cost. The Office of Community Development does not allow the payment of points to buy down the interest rate.

Generally, closing costs allowed on MSHDA Single Family mortgages will be accepted on non-MSHDA mortgages. Attached is the current list of acceptable and unacceptable “Buyer Closing Costs and Other Fees” prepared by the MSHDA Single Family Mortgage office (also labeled as Attachment B). If in doubt about the acceptability of any fees, please contact your CD Specialist for additional information.

4. Loan products used should generally allow Loan to Value (LTV) ratios of at least 97%. While buyers are not required to actually be approved for loan amounts equal to 97% of the purchase price, buyers who can otherwise afford larger mortgages but who are using lending products that have limited LTV ratios—such as a maximum LTV of 80%—will not receive larger Homebuyer Subsidies simply to accommodate more restrictive lending programs.

While there may be individual cases where these requirements may be waived, grantees should request specific exceptions in writing prior to making any commitments to prospective buyers who cannot qualify for loans meeting these criteria. Grantees are reminded that they will be responsible for representations and/or commitments made to prospective buyers without prior approval.

¹ Note that some lenders charge an application fee which is “refundable” at closing. In effect, the application fee covers the cost of an appraisal so that if the loan never closes the buyer, rather than the bank, has paid for the appraisal. Provided it is refundable at closing, usually shown as a credit on the HUD-1 and reflected on the proforma as part of the buyer’s “cash at closing,” an application fee is acceptable in addition to the otherwise allowable lender closing costs.

MSHDA Borrower Costs and Other Fees

This list is not all-inclusive.			
Any fees listed as allowed for actual cost are subject to verification upon request.			
Additional fees/charges are assessed on a case-by-case basis.			
	DESCRIPTION OF FEES	ELIGIBLE	EXPLANATION
	Application Fee	Not Allowed	
	AUS Fee (Automated Underwriting)	Actual Cost	3rd party AUS system
	Buyer-Broker Fees (Real Estate)	Actual Cost	Real estate broker must be exclusive agent of the mortgagor (Prohibited if there is any financial interest between the broker and buyer)
	Closing Fee	Actual Cost	
	Commission	Not Allowed	Real estate commission
	Commitment Fee to Non-Profit	Actual Cost	Any commitment fee, application fee, or processing fee charged by a non-profit agency or government entity is allowed to be charged to the buyer; includes MCC fee
	Courier Fees	Actual Cost	
	Credit Report Fees	Actual Cost	
	Documentation Preparation	Allowed	Maximum \$75
	Document Stamp on Deed	Actual Cost	
	Flood Certification	Actual Cost	
	Home Inspection Fee	Actual Cost	Maximum \$400 or the actual cost
	Lock-in Fee (Commitment Fee)	Not Allowed	
	Notary Fee	Actual Cost	
	Origination Fee	Allowed	Up to 1% of base mortgage amount (if HUD Line 801 exceeds 1%, additional origination charges MUST be itemized)
	Pest Inspection	Actual Cost	
	Printing/E-mail Fee	Actual Cost	Maximum \$50 (i.e. title company charging customer to print closing documents from secured E-doc web-link)
	Processing Fee - Lender	Not Allowed	
	Processing Fee - Real Estate	Allowed	Maximum \$300; when charged by real estate company & shown on sales contract
	Recording Fee	Allowed	(Recording fees for Assignments cannot be charged on VA loans)
	Re-key Fee	Allowed	Maximum \$200
	Servicing Fee	Not Allowed	
	Survey	Actual Cost	
	Tax Certificate	Not Allowed	
	Tax Service Fee	Not Allowed	
	Title Policy/Lender	Actual Cost	
	Title Policy/Owner	Actual Cost	Typically paid by Seller
	Transfer Tax	Actual Cost	Seller's charge only
	Underwriting Fee	Allowed	Maximum \$350 (Conventional, Rural Development & FHA Loans)
	Verifications/Condo Questionnaire	Actual Cost	
	Well & Septic	Actual Cost	
	Wire Fee	Actual Cost	
			-

**SALES AND MARKETING PLAN FOR ADR PROJECTS
WITH EVALUATION COMMENTARY**

Instructions: Please provide a narrative response to the following questions. Use as much space as necessary to fully describe the process by which you will market and sell your homes, but be concise. Once approved, this plan will become a part of your official grant record and will be used in performance monitoring and evaluating the success of your program.

ADR Grantees will be required, as a pre-disbursement condition, to submit a Sales and Marketing Plan addressing questions below for MSHDA's review and approval. Such plans must address the questions in bold, and grantees should look to the commentary in regular-type font for insight in how MSHDA expects to evaluate your plan.

- 1. Beyond the provision of affordable housing to income eligible households, what other community development goals is this project intended to advance? (For example, is the program intended to increase market values in the neighborhood? Attract new residents to the neighborhood? Attract higher income residents?)**

It is a given that all ADR projects will provide affordable housing opportunities to income-eligible buyers, but the Office of Community Development prioritizes project that also provide additional community impact. Applications should clearly define the local community development needs and show how the proposed project will help address those needs. Successful applicants are able to demonstrate how ADR projects provide outcomes for both the purchaser and the community as a whole.

- 2. Based on these goals, how do you propose to set the sales price of homes developed with this grant? (For example, will the sales price be set based upon an "as completed" appraisal? How will that price be adjusted—such as increased by 10%—to account for the lag between changing market values and appraisals based on past sales and the lag between the appraisal completed during project planning and the elapsed time before a sale?)**

Generally, MSHDA expects grantees to use a state-licensed appraiser to help determine the fair market value of ADR projects. The minimum sales price is then set based upon that appraisal, but there are times when the local community development goals or inherent limitations in the appraisal process suggest a different means of determining the final sales price.

For example, appraisals are based on recent comparable property sales. However, this backwards looking analysis may not fully account for the fact that property values tend to increase over time, and this limitation is exacerbated by the timing of most appraisals. Generally grantees obtain "as completed" appraisals early in the development of a project,

and by the time the property is resold to an income-eligible buyer, the appraisal which already was based on prior property sales is six to twelve months old.

When an ADR program is being undertaken, in part, to change market dynamics within a neighborhood and intentionally drive property values higher, grantees may seek to offer their projects for sale at a price intentionally above the value suggested by a pre-development appraisal.

In some cases, MSHDA feels that appraisals may not be the most effective means of arriving at a fair market value. For example, when new construction homes are being produced in a neighborhood that where no new homes have been built for decades, an appraisal based on comparable sales will be difficult to obtain. Often appraisers end up including comparable properties from other neighborhoods within a regional market, and the differences between those neighborhoods is so vast as to affect the validity of the appraisal. On the other hand, when older existing homes within the same neighborhood are used as comparables for new construction projects, an appraisal may result in an unfairly low valuation. In cases like this, grantees may propose that MSHDA accept a sales price based on a market analysis obtained from a real estate agent familiar with the neighborhood.

- 3. What data are available on recent sales in the neighborhood? (For example, how many homes have sold in the past two years, what is the average sales price for arms-length sales of owner-occupied homes similar in age, size, and quality to the proposed projects, are there trends in sales prices for this area over the past decade, etc?)**

- 4. Will you list the homes with a realtor or sell the homes without a listing agent? What criteria will be used to select the listing realtor? Or, why do you feel a realtor is not necessary to the success of this project?**

Generally, ADR projects fall somewhere in between two extremes. Some programs, often in urban neighborhoods, are highly focused on driving market values higher, changing market perceptions or a specific neighborhood, and attracting new residents who might otherwise choose to invest in other neighborhoods. In other cases, often in healthy markets with high housing costs and large service sectors, the provision of decent, attractive, affordable housing in centrally located neighborhoods is the primary goal and supports the long-term sustainability of a community that would otherwise have a difficult time attracting and retaining employees.

The more a local program is attempting to revitalize neighborhoods and improve values, the more valuable a realtor becomes in the process. For programs where housing is highly unaffordable and affordable housing opportunities can be adequately marketed to a broad audience, selling homes without a realtor may result in some cost savings and make projects more economically feasible.

- 5. How will you market the homes developed in this grant? What means of paid and unpaid advertising will be used to make potential applicants aware of the homes for sale? How will you reach out to potential buyers who do not already reside in the target area? What strategies will you use to attract buyers who might not otherwise choose to invest in the target area?**

- 6. Given the size, style and location of the project, describe the likely market for your homes. What is the range of household sizes and characteristics such as income, number of wage earners, number of children, work locations, etc. likely to find these homes attractive?**

Successful applications for HRF funding demonstrate internal consistency among the stated local needs, program goals, and program design. A lack of such consistency—proposing to build four bedroom homes for a target market made up primarily of two and three person households for example—will make applications less competitive.

- 7. What is the typical Homebuyer Subsidy you believe will be necessary to serve the target market? What is the range of Homebuyer Subsidies you believe may be necessary? How do you plan to deal with applicants who need larger Homebuyer subsidies than those anticipated by your project and/or grant budget?**

- 8. In addition to the MSHDA funded Homebuyer Subsidy, what other strategies will you use to maximize the affordability of these homes to buyers? (Are there outside sources of down payment assistance you plan to access? Are there special financing programs that will expand the affordability to target market buyers?)**

Projects that make use of other public and private programs and funding maximize the impact of MSHDA's funding and are generally more competitive. Among other resources, MSHDA encourages the use of Neighborhood Enterprise Zones, Federal Home Loan Bank down-payment assistance programs, and below market rate end mortgage products offered by MSHDA's Single Family division, USDA, and some bank's Community Reinvestment programs.

MSHDA Office of Community Development HOUSING RESOURCE FUND SUMMARY
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H. HOMEOWNER ASSISTANCE

Homeowner Assistance may be used to improve the principal residence of low-income homeowners. HRF does not fund "grants" for homeowner rehabilitation. In general, repayment for assistance other than emergency repair is required upon sale or transfer of the property to a new owner or if the property is no longer occupied by the borrower. Repayment is ensured through a lien on the property.

ELIGIBLE ACTIVITIES

Rehabilitation
Emergency Repair
Refinancing and Closing Cost Assistance (up to \$3,500) related to refinancing first mortgage if the mortgage is a balloon or ARM, or at an unusually high interest rate

FACTORS TO CONSIDER WHEN APPLYING FOR HRF FUNDS

By **leveraging additional resources**, more low-income households can be served with scarce grant funds. OCD encourages leveraging in a variety of ways:

- Homeowner assistance should be designed to **encourage periodic repayment** to the extent feasible; MSHDA permits that HRF may provide non-amortizing loans for 100% of the project costs (up to component maximums) only for households at the lowest incomes (below 60% AMI in the lowest income counties), but allows a high degree of local flexibility for homeowner payments at incomes above that level.
- Participating households are encouraged to undertake larger projects with a small amount of HRF funds: rehabilitation funds under the Homeowner Assistance component are **forgivable loans** for projects of \$10,000 or more where the HRF funds are \$5,000 or less.
- Grantees awarded HRF funds for targeted homeowner rehabilitation, may be allowed to forgive 50% of the OCD assistance over five years (10% per year), the other 50% would be deferred and repayable at sale or transfer, or if the property is no longer occupied by the borrower.
- The Homeowner Assistance component includes a **25% leverage requirement**: an additional 25% of the HRF funds awarded for rehabilitation from other approved sources (see "Definitions", Leverage)
- MSHDA will also allow up to 10% of the amount of leveraged funds as an eligible project delivery fee that can be charged as an OCD project cost.

- County Allocation grantees using deferred (not forgivable) loans are not required to leverage. OCD does, however, expect homeowners above 60% AMI to contribute a portion of the dollars needed for rehabilitation. Refer to Policy Bulletin #16 for further details.

County Allocation grantees may choose to offer forgivable loans. The Homeowner Assistance Component generally requires that properties rehabilitated will meet both HUD Section 8 Housing Quality Standards (HQS) and the minimum standards in any applicable local code. OCD does permit grantees to set aside up to 15% of the project funding in an HRF grant to address **emergency repair** for housing units, even if the balance of the unit does not meet HQS after completion.

HRF funding for **replacement housing** is no longer available through OCD. Organizations interested in replacing owner-occupied units which cannot be cost-effectively repaired should contact the MSHDA Property Improvement Program (PIP) at 517-373-8017.

Homeowner rehabilitation assistance is widely available through county governments receiving grants from the CDBG Housing Program. OCD does not plan to approve HRF requests which duplicate existing programs. Nonprofits and non-county local governments should contact their county and/or city government to **assure non-duplication** prior to submitting an HRF application.

Homeowner Assistance grantees are accountable to **assure broad outreach** to all eligible households. MSHDA and HUD impose strict guidelines to protect the credibility of local programs by assuring there is no appearance of conflict-of-interest in obtaining access to program benefits.

MSHDA OCD will allow closing and other costs related to the refinance of a first mortgage as an eligible CDBG 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 for a homeowner rehabilitation project (see Policy Bulletin #9). Homeowners are required to receive counseling from a MSHDA approved LINKS Counselor prior to receiving assistance. See Policy Bulletin #10, Eligible Rehabilitation Improvements, Attachment F for detailed information.

APPLICATION PROCEDURES FOR FUNDING UNDER THE HOMEOWNER ASSISTANCE COMPONENT

HRF Application, Part III: Component Compliance Guidelines: Review the QuickFinder for program requirements and limitations. Complete the Homeowner Assistance Component Compliance Guidelines. Call your CD Specialist if you have questions about any of the requirements.

**Michigan State Housing Development Authority
Housing Resource Fund**

HOMEOWNER ASSISTANCE QUICKFINDER

Eligible Applicants	
Eligible Applicants	<ul style="list-style-type: none"> • Non CDBG-entitled local units of government • Nonprofits
Eligible Households & Properties	
Eligible Households	<ul style="list-style-type: none"> • Targeted to households with incomes at or below 80% of Area Median Income (AMI)
Eligible Properties	<ul style="list-style-type: none"> • Single family, condominium, mobile and manufactured homes on fee simple lots
Property Value/Cost Limits	<ul style="list-style-type: none"> • For HOME-assisted projects, after rehab or construction the property value must not exceed HUD Single Family Value (FHA 203(b)) limits
Eligible Costs	
Rehabilitation Costs	<p>The actual cost of rehabilitating housing, including:</p> <ul style="list-style-type: none"> • Costs to meet applicable rehabilitation standards • Energy-related repairs or improvements • Improvements necessary for persons with disabilities • Abatement or reduction of lead-based paint hazards • Modest landscaping (seed/sod, mulch, trees/shrubs, perennials), up to \$1,000 not included in lien. • Replacement of a unit where rehabilitation is not feasible.
Refinancing and Closing Cost Assistance:	<p>Closing and related costs needed to refinance first mortgage financing as an eligible CDBG project cost, 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 must be included as part of the maximum \$35,000 allowable in a homeowner rehabilitation project (see policy bulletin #9). The details of the eligible closing costs and related costs are outlined in Attachment F of this policy.</p>
Emergency Repairs	<ul style="list-style-type: none"> • Up to 15% of CDBG homeowner project (not including admin.) funds awarded. (Emergency Repairs is not an eligible activity with HOME funds.)
Project Soft Costs	<ul style="list-style-type: none"> • Reasonable and necessary costs associated with rehabilitation (limits described under administrative fees below)
Relocation Costs	<ul style="list-style-type: none"> • Temporary relocation costs as set forth in the Uniform Relocation Act and Section 104(d) of HCDA of 1974 (<i>Permanent relocation is not permitted</i>)
Administrative Fees	<ul style="list-style-type: none"> • HOME - Capped at 10% admin costs and 10% project-related costs. • CDBG - Capped at 20% admin costs plus project related costs (but no more than 18% may be charged to admin).

Property Standards	
Housing Quality	<ul style="list-style-type: none"> • Local codes, ordinances and standards • If no local standards, must meet either the International Building Code or Section 8 Housing Quality Standards (HQS) • Grantee must have written rehab (standard)
Replacement Housing	<ul style="list-style-type: none"> • If replacement housing is justified, replacement unit must meet the International Building Code (if site-built) or HUD standard (if manufactured unit)
Resale/Recapture Requirements	
Document Required	<ul style="list-style-type: none"> • Note and mortgage or other approved and recorded lien instrument
Compliance Requirements	<ul style="list-style-type: none"> • Continued owner-occupancy • If sale, subject to recapture as noted below under Loan Terms
Other Requirements	
Federal Laws & Regulations	<ul style="list-style-type: none"> • Refer to Housing Resource Fund (HRF) Summary, Major Laws Applicable to the Housing Resource Fund
Program Design Requirements	<ul style="list-style-type: none"> • 25% leverage of rehab funds required on grant (not on each project); leverage of other funds is encouraged. Local program design may be modified with OCD approval to conform to local PJ/entitlement community requirements <p>Note: County Allocation grantees using deferred (not forgivable) loans are not required to meet the 25%leverage requirement. OCD does, however, expect homeowners above 60% AMI to contribute a portion of the dollars needed for rehabilitation. Refer to Policy Bulletin #16 for further details.</p>
Project Completion	<ul style="list-style-type: none"> • All units must be completed within 24 months of contract
Parameters of MSHDA Assistance	
Loan Terms	<ul style="list-style-type: none"> • No lien is required if total assistance does not exceed \$2,500 • Homeowners > 60% of AMI must finance a portion of the costs with non-HRF funds or amortize a portion of the loan; portion of repayment increases with higher income. (May vary in NPP.) • County Allocation grantees may choose to offer forgivable loans. • OCD will allow grantees to place a five-year forgivable lien on any OCD assisted project of \$5,000 or less where dollar for dollar leveraging has been obtained • Due on sale or transfer, or if no longer occupied by borrower
Minimum HRF Investment Per Assisted Unit	<ul style="list-style-type: none"> • \$1,000 per HRF-assisted units if HOME-funded
Maximum HRF Investment Per Assisted Unit	<ul style="list-style-type: none"> • Up to \$35,000 – inclusive of all costs related to the project, including lead based paint hazard reduction or abatement costs, and all project related soft costs.
<p><i>For More Information:</i> Refer to the HRF Summary, contact your MSHDA CD Specialist, or call 517-373-1974</p>	

<p style="text-align: center;">MSHDA Office of Community Development HOUSING RESOURCE FUND SUMMARY</p>

I. NEIGHBORHOOD PRESERVATION

MSHDA's Office of Community Development (OCD) uses an outcome framework for investing in Michigan communities and the organizations that serve them. Under the Neighborhood Preservation Program (NPP), OCD invests in creating healthy neighborhoods. A healthy neighborhood is a place where it makes economic sense for people to invest their time, money and energy, and where residents are actively engaged in managing their neighborhood.

A successfully planned and implemented NPP will result in positive changes for the neighborhood and its residents. These changes are the desired outcomes. For NPPs, the desired outcomes go much deeper than the creation of affordable housing units. A successful NPP will also promote changes to the way residents think and feel about their neighborhood, which will change their behavior over time. It is expected that the neighborhood will experience positive changes in image, marketability, physical condition/appearance, and manageability. OCD is most likely to invest our Neighborhood Preservation Program resources by funding applications demonstrating the potential to achieve change in these four areas.

Image

- Neighbors will have confidence in the future of the neighborhood.
- The neighborhood will be a "neighborhood of choice" – that is, people with options will choose to live there.

Market

- It will make economic sense for people to invest their time, money and energy there.
- The neighborhood will be competitive with other healthy neighborhoods – it will attract the resources of neighbors, buyers, developers, etc. that will keep it healthy.
- The neighborhood will offer housing options for, and be attractive to, a variety of income groups.

Physical Conditions

- The physical conditions of homes and businesses will suggest that people are proud of their neighborhood.
- The physical conditions of parks, streets and other public infrastructure will meet the standards of other healthy neighborhoods.

Neighborhood Management

- When problems arise, neighbors will confidently address them in a way that protects the neighborhood and furthers its health.
- The neighbors will feel comfortable being "neighborly" – looking out for each other, getting together to work on problems, taking action to reinforce positive standards and actions.

Evaluation Factors/Considerations

OCD uses the following **evaluation factors/considerations** for NPP proposals:

- Is the target area of a manageable and treatable size within the context of the plan?
- Is the local community (including the local unit of government) willing to invest sufficient resources in the target area such that OCD resources are the gap, not the primary resource? How about businesses, the Neighborhood Association, or other “partners”?
- Does the neighborhood have significant residential characteristics? What is the ratio of homeowner to renter households? If there is a considerable “rental blight”, what specific plans are evident in the NPP plan to address this problem?
- Does the target area have defined boundaries such as major streets, changes in land uses or natural features? Do the residents of the target area define it as “their neighborhood”? Is there a neighborhood self-identity?
- Are there physical, economic and/or historical internal focal points, such as churches, schools, shopping districts, parks, or other physical and social anchors? Is the neighborhood accessible by public transportation or within walking distance to a viable commercial/retail area?
- Is there evidence of both social and financial disinvestment, such as conversion of single family homes to rentals, disrepair, abandonment, or neglect?
- How marketable is the neighborhood - to potential residents and businesses? Is there potential of economic viability due to proximity of employment, natural features, or a commercial district?
- Have local residents been involved in developing the NPP plan? What level of “buy in” is evident in the neighborhood residents?
- If there is a commercial district/downtown area located in the neighborhood, is it currently “viable”? Are there any current (or planned) revitalization efforts?
- Are the requested components/activities part of a larger plan either for this particular neighborhood or for the community as a whole?

ELIGIBLE APPLICANTS

A local unit of government (community), nonprofit, or a community/nonprofit collaboration may make application for designation of a neighborhood. **Under this component, communities, nonprofits and/or their program administrators must have a demonstrated track record in successfully administering a HOME and/or CDBG housing program.**

HRF-FUNDED ACTIVITIES UNIQUE TO NEIGHBORHOOD PRESERVATION

In addition to the standard mix of the Office of Community Development's components (e.g., Homeowner Assistance or Homebuyer Assistance, Rental Rehabilitation, etc.) Neighborhood Preservation applicants may apply for any or all of the following special activities:

- Beautification
- Demolition
- Public Improvements
- Marketing

HRF funding for these activities cannot exceed 40% of the total funding (for project costs) committed to the target area for HRF-eligible projects. Funding for affordable housing may come from the HRF, or local public and eligible private sources. Typically HRF funding for all components and activities in the target area will not exceed \$500,000 in a 2-year period.

Example: If a total project costs \$500,000, and these activities are all HRF eligible, the applicant may request up to \$200,000 for NPP component activities, such as Beautification, Demolition and Marketing.

Beautification. Applicants may propose neighborhood beautification projects. At least 51% of the residents in the targeted area affected by the beautification improvements must have incomes at or below 80% of the area median income as defined by HUD. Beautification projects include neighborhood-wide (including commercial areas and/or business districts) improvements such as:

- Landscaping
- Planters
- Creating or improving parking lots
- Creation of open spaces such as parks, landscaping of public land, alley beautification, etc.
- Street furniture (such as benches, etc.)
- Banners
- Proactive health and safety improvements such as graffiti removal, establishment of Crime Watch initiatives, and maintenance of vacant lots, etc.
- Signage
- Assistance made to neighborhood associations, block clubs, etc. for resident identified activities/events such as: hedge trimming, weeding gardens, mowing, and planting trees, shrubs and flowers; paint blitzes (purchase of exterior house paint and associated supplies); and dumpsters, hauling and/or dumping fees, etc. for a neighborhood clean up project.

Applicants may propose projects to benefit business owners/tenants in the neighborhood. Improvements could include: moderate to substantial exterior facade improvements--renovations including exterior lighting, new signs, graphics, windows, doors, window displays, awnings, painting, etc. Any fund amount would require documentation of a dollar-for-dollar match by the business owner/tenant, and generally would be set up on a 3-5 year diminishing lien basis, with payback to the local unit or nonprofit in the event of sale or transfer to a new owner before 3-5 years.

Demolition. Demolition is an eligible activity in support of a Neighborhood Preservation strategy. If the property owner does not have income less than 80% of the area median, at least 51% of the

residents in the targeted area affected by the demolition activity must have incomes at or below 80% of the area median income as defined by HUD. Units must be vacant and beyond rehabilitation at the time of submission of the application.

Public Improvements. Public Improvements are an eligible activity in support of a Neighborhood Preservation strategy. At least 51% of the residents in the targeted area affected by the public improvements must have incomes at or below 80% of the area median income as defined by HUD. Public improvements include:

Infrastructure Activities

- Street Lighting
- Sidewalks
- Curbs
- Gutters
- Water/Sewer lines
- Neighborhood park improvements

Neighborhood Facilities include the acquisition, construction, reconstruction, and/or rehabilitation (including removal of architectural barriers to accessibility) of neighborhood facilities. NOTE: Neighborhood facilities are facilities that are either publicly owned or that are traditionally provided by the government, or owned by a nonprofit (excluding churches and other church owned properties), and operated so as to be open to the general public.

Marketing. Communities and nonprofits can work with residents, block clubs, merchant associations, etc. to create an image building plan. This plan can help market a neighborhood's growth potential by publicizing the good qualities about a neighborhood, whether it is a nice park, historical homes, or new sidewalks and street lights, thereby attracting investment by current residents, homebuyers, businesses, and financial institutions.

Eligible costs under this activity include the following:

- Printing a newsletter for neighborhood residents, interested institutions and local businesses, especially real estate agencies, lending institutions, and schools.
- Designing appealing brochures to hand out at homebuyer fairs, seminars, tours, or meetings with community members to promote the preservation and revitalization process.
- Sponsoring a neighborhood housing fair.
- Organizing festivals or other special events.
- Holding local seminars on topics such as :
 - How to fix up your home and maintain it using creative low-cost resources.
 - Educating school officials, church leaders, and other community leaders about how to get involved in cleaning up the neighborhood. For example, local schools could give high school students credit for helping mow lawns, clean up trash, etc.
- Creating a business directory.

APPLICATION PROCEDURES FOR FUNDING UNDER THE NEIGHBORHOOD PRESERVATION COMPONENT

Before submitting under this component, potential applications must first meet the NPP threshold requirements. If these requirements are met (determined by the appropriate CD Specialist), **the first step in the formal process is the submission of an NPP pre-application. If the pre-application is accepted, the applicant will be invited to submit a full NPP application.**

Prior to the submission of a full NPP application, the CD Specialist (and other CD staff as appropriate) will do a site visit of the prospective NPP target area.

The **NPP threshold requirements** are as follows:

- Census data must indicate that at least 51% of the population of the proposed target neighborhood meet the low/mod income requirements for the area
- The administrator of the proposed grant must have a high level of capacity
- Local community (local unit of government and other stakeholders in the community) must indicate that this neighborhood is a high priority for funding and other resources
- The neighborhood must be of a treatable size
- The administrator must have some indication from the residents that they will buy in; that they are interested in investing in their neighborhood
- The NPP must be one component of a larger plan for the neighborhood or community

Documentation of Low/Mod Benefit:

In addition to the threshold requirements, NPP applications must include documentation of Low/Mod Benefit meeting the regulations required for CDBG funding. The applicant may document low-mod benefit in a variety of ways: (a) through certification from the local HOME participating jurisdiction or CDBG entitlement city; (b) through inclusion as a target area in the Michigan Economic Development Corporation Distressed Area listing, or (c) by submission of income certification from 51 percent of the target area residents (a sample form for resident certification is attached to the pre-application). The method of documentation is, in part, dependent upon activities to be undertaken.

Because the actual geographic boundaries of the neighborhood won't necessarily exactly match the census tracts, or the Distressed Area listing target area, at the pre-app stage we will accept evidence that "suggests" that the area meets the low/mod criteria. Actual documentation through a survey must then be submitted with the full application.

ADDITIONAL PROGRAM FEATURES AVAILABLE IN NEIGHBORHOOD PRESERVATION TARGET AREAS

Increased income limit for 100% deferred loans. HRF funds for Homeowner Rehabilitation may be used for projects on a 100% deferred loan basis for owner-occupants with incomes up to 60% of AMI in approved Neighborhood Preservation target areas.

**Michigan State Housing Development Authority
Housing Resource Fund**

NEIGHBORHOOD PRESERVATION QUICKFINDER

Eligible Applicants	
Eligible Applicants	<ul style="list-style-type: none"> • Non-PJ local units of government, with priority to CDBG non-entitled areas • Nonprofits, CHDOs or CBDOs, collaborating with local government: <ul style="list-style-type: none"> -- Local government consulted and aware of potential impacts -- Plan consistent with local plans/ordinances • Track record for successful administration of HOME and/or CDBG programs
Eligible Neighborhoods	
Required Target Area	<ul style="list-style-type: none"> • Significant residential characteristics • Defined boundaries and sense of neighborhood identity • Evidence of social and financial disinvestment • Neighborhood physical/ economic/historical/social focal points/anchors, and potential of economic viability • Local priority for use of resources • Manageable and treatable size • Code enforcement ordinances are strongly encouraged • Evidence of resident/neighborhood buy in/investment • Manageable and treatable size
Eligible NPP Activities	
Beautification	<ul style="list-style-type: none"> • CDBG qualification: Low/Mod Area (51% Low/Mod Income persons) • Tree plantings (parkways, easements, or front third of yards closest to street), planters, sidewalk/driveway repairs, signage, alternate landscape designs, welcome wagon, community plantings, neighborhood clean-ups, exterior paint and supplies (rollers/brushes, etc.), alley beautification, street furniture (benches, etc.), banners, Crime Watch initiatives. • Projects can benefit business owners/tenants including exterior façade improvements, windows, doors, awnings, painting, etc. These projects require dollar for dollar match, and may be subject to a 5 year diminishing lien.
Demolition	<ul style="list-style-type: none"> • CDBG qualification: Low/Mod owner or Low/Mod area • Unit must be vacant and not suitable for rehabilitation
Public Improvements	<ul style="list-style-type: none"> • CDBG qualification: Low/Mod area • Infrastructure: Street lighting, sidewalks, water/sewer lines, neighborhood park improvements, curbs, sidewalks • Neighborhood Facilities: This includes acquisition, construction, reconstruction, or rehabilitation of public facilities. (Public facilities <u>do not</u> include churches, or church owned properties)

Marketing and Education	<ul style="list-style-type: none"> • CDBG qualification: Low/Mod area • Create/implement a neighborhood image building plan • Media, advertising, other resources, neighborhood newsletters, brochures, crime prevention events, neighborhood housing fairs, workshop series on neighborhood maintenance issues, organizing festivals, and other special events, creating a business directory, joint advertising for special events, etc.
Limit on HRF Funds for Beautification, Demolition, Public Improvements, and Marketing/Education	<ul style="list-style-type: none"> • Combined HRF funding for these four activities cannot exceed 40% of the total funding (for project costs) committed to the NPP area for HRF-eligible projects • Funding for affordable housing may come from HRF or local public and private sources
Administration Fees	<ul style="list-style-type: none"> • Capped at 10% admin costs and 8% project related costs
Other HRF Program Components	<ul style="list-style-type: none"> • May apply for other HRF programs to support housing activities or comprehensive strategy (see appropriate Quickfinder & HRF Summary for requirements for each component): <ul style="list-style-type: none"> -- Homeowner Assistance -- Homebuyer Assistance (DPA, HPR, ADR) -- Rental Rehabilitation
Special MSHDA Offerings Available to NPP Areas	
Homeowner Rehab	<ul style="list-style-type: none"> • 100% deferred loan assistance available to households at or below 60% AMI • 25% match of homeowner rehab funds required, leverage or other funds is encouraged
Other Requirements	
Housing Quality	<ul style="list-style-type: none"> • No HQS standards applied to Beautification and Emergency repairs • Section 8 HQS to other housing activities • Applicable local codes, ordinances and standards
Other Federal Laws & Regulations	<ul style="list-style-type: none"> • Special NPP activities subject to all CDBG regulations • Environmental Review, as applicable to each activity
Program Design Guideline	<ul style="list-style-type: none"> • Maintenance of effort commitment from local government for public improvements and services in target areas
Project Completion	<ul style="list-style-type: none"> • All activities must generally be completed within 24 months of grant award

For More Information:
Refer to the HRF Summary, contact your MSHDA CD Specialist, or call 517-373-1974

MSHDA
Office of Community Development
HOUSING RESOURCE FUND SUMMARY

J. SMALL SCALE RENTAL DEVELOPMENT

Effective April 15, 2010, the Office of Community Development (OCD) has issued a moratorium on accepting any new applications for small rental development projects (i.e. those projects under 24 units to be developed and owned by nonprofit grantees or their related entities). This moratorium will remain in effect until further notice.

OCD is no longer accepting Small Scale Rental Development Applications for several reasons, including:

- Such projects tend to require deep per unit subsidies. For a given amount of subsidy, OCD believes we can usually invest in other activities resulting in comparatively greater community impact.
- Market conditions across much of the state make such projects difficult to initiate and even more difficult to sustain even with fairly deep subsidies. Small projects that cannot produce economies of scale in their operation and management have disproportionately struggled within the current economic context.
- OCD's past experience with these types of projects suggest that many such small-scale developments will encounter long-term issues of sustainability, creating a drain on their nonprofit owners. Recent reporting on national trends in HOME assisted rental housing compiled by HUD and other industry experts corroborate these concerns.
- Most of the small rental projects OCD has helped to fund during the past few years were in fact supportive housing developments which are now handled and still funded through the Office of Supportive Housing and Homeless Initiatives.

This change does not affect OCD's ongoing funding of grants for Rental Rehabilitation activity, including downtown revitalization through the creation of housing units. Rental Rehabilitation accounts for the bulk of OCD's rental activity in recent years and continues to be an active program model. The operative differences in this program are: (a) the low cost per unit, which results in more production and shorter compliance periods, and (b) the role of local government grantees in assuring compliance.

Grantees with questions about this change should contact their Community Development Specialist.

MSHDA
Office of Community Development
HOUSING RESOURCE FUND SUMMARY

K. RENTAL REHABILITATION

The **Rental Rehabilitation** component is designed to provide funding assistance to improve investor-owned (landlord) properties. Funding for rental rehab is normally provided through the unit of local government that has jurisdiction for code enforcement and/or rental licensing.

Generally the Rental Rehabilitation program is funded with CDBG dollars but, in some instances, may be funded with HOME funds. In the "Rental Rehabilitation" section, you will find additional information on the HOME and CDBG regulations as they apply to rental projects. While CDBG funds provide for higher limits on tenant income and allowable rents, applicants proposing to use the higher CDBG limits should specifically address why the HOME income and affordability thresholds cannot or should not be met. Exceptions will normally be made only for specific target area programs, where the diversity of incomes in a target area is a desired outcome for the target area, such as rental rehab in Downtowns or in an NPP target area combined with the Neighborhood Preservation Component. Community-wide rental rehab programs should plan to use HOME. However, due to the high demand for HRF funds, and OCD's desire for significant impact in targeted areas, community-wide programs Rental Rehabilitation programs are not likely to be funded in 2009/10 funding year.

ELIGIBLE ACTIVITIES

Rehabilitation

CONSIDERATIONS FOR APPLICANTS FOR RENTAL REHABILITATION

HRF requires that investor/owners contribute 25% of the project cost for each rental rehabilitation project. Do not underestimate the difficulty of obtaining required **owner leverage**. Rental rehabilitation is a difficult program in markets (1) where rental property is scarce, and (2) where rents paid by low-income households are generally higher than the rents shown in the "HOME Program Rent Limits" section especially if the program does not already have wide word-of-mouth acceptance among local landlords. In these markets, rental rehabilitation is practical only if paired with effective code enforcement and/or rental licensing programs. As a result, rental rehabilitation is generally undertaken by local governments, which are able to maximize coordination between code enforcement and HRF-funded rental rehab activities. Applications for Rental Rehabilitation should only be submitted if strong landlord support is documented.

DOWNTOWN RENTAL REHABILITATION

MSHDA will give preference in funding for downtown rental rehabilitation to communities/projects 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 supported 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 per unit (and at least one bedroom per unit)

NOTE: Due to the time sensitive nature of accessing a variety of funding sources to cost effectively create quality rental units above commercial space in downtowns, these applications may be submitted at any time.

NPP strategies targeted at an area characterized by disinvested rentals cannot be effectively implemented without improving the overall quality of the rental housing. Applicants for funding for NPP strategies for these areas should begin to build relationships with investor/owners in the target area to enlist their support and prospective participation. Cities are generally prohibited from targeted code enforcement strategies so much depends on (1) landlord acceptance, (2) effective city-wide code enforcement, and (3) willingness of neighborhood residents to hold city officials accountable for effective enforcement of city ordinances in their neighborhood.

APPLICATION PROCEDURES FOR FUNDING UNDER THE RENTAL REHABILITATION COMPONENT

HRF Application, Part III: Component Compliance Guidelines: Complete the Rental Rehabilitation Component Compliance Guidelines. Call your CD Specialist if you have questions about any of the requirements.

**HOME/CDBG RENTAL REHABILITATION PROGRAMS
COMPARISON BY FUNDING SOURCE**

HOME	CDBG
<p>Minimum HOME Investment \$1,000 per unit</p>	<p>Minimum CDBG Investment \$1,000 per unit</p>
<p>Maximum Unit Dollar Limits</p> <ul style="list-style-type: none"> • Lesser of \$14,999/unit or 75% of project cost for existing units • The lesser of \$40,000 or 75% of the project costs for newly created units 	<p>Maximum Unit Dollar Limits</p> <ul style="list-style-type: none"> • Lesser of \$25,000/unit or 75% of project costs for existing units • Lesser of \$35,000/unit or 75% of project cost for newly created units.
<p>Forgivable Loan</p> <ul style="list-style-type: none"> • Generally structured to be totally forgiven at the end of the affordability period • May be structured as a full or partial loan • Grantee may adopt stricter guidelines than those set by MSHDA if program is marketable 	<p>Loan/Forgivable Loan</p> <ul style="list-style-type: none"> • Generally structured to be totally forgiven at the end of five years, as long as property owner meets terms and conditions of the lien • May be structured as a full or partial loan • Grantee may adopt stricter guidelines than those set by MSHDA if program is marketable
<p>Lien Period and Period of Affordability</p> <ul style="list-style-type: none"> • 5 years if per unit assistance is ≤ \$14,999 • 10 years if per unit assistance is \$15,000-\$40,000 • HOME-assistance rental rehab property may be sold provided the buyer is income eligible and agrees to the HOME affordability requirement for the remainder of the lien period 	<p>Lien Period and Period of Affordability</p> <ul style="list-style-type: none"> • 5 year lien period, however 51% of units must be affordable only at time of initial occupancy • If property is sold, the new owner may either: <ul style="list-style-type: none"> - Pay back the <u>entire</u> amount of the loan; or, - Continue meeting lien requirements for the remaining time period & not repay the assistance
<p>Rehab Standards</p> <ul style="list-style-type: none"> • Applicable local codes and Section 8 Housing Quality Standards (HQS). • All units in a project must meet HQS standards even if they are not assisted units 	<p>Rehab Standards</p> <ul style="list-style-type: none"> • CDBG assisted units must meet applicable local codes and Section 8 Housing Quality Standards (HQS) • All units in a project must meet HQS standards even if they are not assisted units
<p>HQS On-site Inspection Requirements</p> <ul style="list-style-type: none"> • 1-4 units every three years, 5 or more units every two years 	<p>HQS On-site Inspection Requirements</p> <ul style="list-style-type: none"> • Inspection required only when unit is initially completed to insure compliance with HQS

HOME	CDBG
<p>Façade Improvements</p> <ul style="list-style-type: none"> If building is mixed-use, façade improvements are only eligible on the residential portion of the building. 	<p>Façade Improvements</p> <ul style="list-style-type: none"> May occur in mixed-use buildings; however, façade improvements must be considered an integral part of the rehab project, and generic or uniform to the building.
<p>Landscaping Improvements</p> <ul style="list-style-type: none"> Up to \$1,000 with a MSHDA approved plan. \$1,000 must be part of the per unit maximum limit The landscaping assistance must be included in the lien. 	<p>Landscaping Improvements</p> <ul style="list-style-type: none"> Up to \$1,000 with a MSHDA approved plan. \$1,000 must be part of the per unit maximum The landscaping assistance must be included in the lien
<p>Income Eligibility (maximum)</p> <ul style="list-style-type: none"> Generally, at or below 60% of AMI adjusted for family size 20% of total number of units must be rented to tenant households with incomes \leq 50% of area median when 5 or more units are assisted 	<p>Income Eligibility (maximum)</p> <p>Up to 80% of AMI adjusted for family size for 51% of the units (at initial occupancy) in a structure assisted, there are no income limits for the other 49% of the units</p> <ul style="list-style-type: none"> (See "Owner Leveraging Requirement")
<p>Income Certification</p> <ul style="list-style-type: none"> Annually Tenants may self-certify 	<p>Income Certification</p> <ul style="list-style-type: none"> Required at initial occupancy for 51% of the units
<p>Program Income</p> <p>Must be returned to MSHDA</p>	<p>Program Income</p> <p>Must be returned to MSHDA except if County Grantee County can reuse PI.</p>
<p>Initial Rents (maximum) Program Income</p> <p>The lesser of HUD High HOME Rent (65% rent limit) or the Fair Market Rent (FMR) with adjustment for tenant paid utilities</p> <p>If 5 or more HOME-assisted united in a single project, at least 20% of the units must be the lesser of the HUD Low HOME Rent (50% Rent Limit) or the Fair Market Rent (FMR), adjusted for tenant paid utility allowances.</p>	<p>Initial Rents (maximum)</p> <p>FMR with adjustment for tenant paid utility allowances.</p> <p>Exception rents up to 110% FMR: It is possible with MSHDA approval for an OCD CDBG Grantee to allow a landlord to charge a rent up to 110% of the FMR under certain conditions</p>
<p>Rent Increases</p> <p>Property owners may not increase the rent on occupied units from the pre-rehab rent for a minimum of one year after rehabilitation has been completed</p> <p>At no time may rents exceed FMR unless tenant income exceeds 80% AMI (then rent can be increased to 30% of tenant's income).</p>	<p>Rent Increases</p> <p>Property owners may not increase the rent on occupied units from the pre-rehab rent for a minimum of one year after rehabilitation has been completed.</p>
<p>Rent Certification</p> <p>Annually certify that rents are within the appropriate rent limit.</p>	<p>Rent Certification</p> <p>Certify that rent does not exceed FMR (or exception rent if approve by MSHDA) at initial occupancy for 51% of units in structure assisted</p>

HOME	CDBG
<p>Davis-Bacon Applies if 12 or more assisted units</p>	<p>Davis-Bacon Applies if 8 or more total units and may apply with inclusion of façade improvements</p>
<p>Affirmative Marketing Plan If grantee completed HOME funded rental rehabilitation projects of 5 or more units, the grantee must prepare and submit to OCD an Affirmative Marketing Plan</p>	<p>Affirmative Marketing Plan Not required for CDBG funded projects, but encouraged if grantee completes a rental rehabilitation project of 5 or more units</p>
<p>Uniform Relocation Act Applies to all rental rehabilitation projects (2 URA notices required for each occupied unit in the project proposed for rental rehab, a third notice required for prospective tenants moving into the property during rehabilitation)</p> <p>Rents on all units cannot be increased from pre-rehab amounts for one year from the date the rehab was completed.</p>	<p>Uniform Relocation Act Applies to rental rehabilitation projects (2 URA notices required for each occupied unit in the project proposed for rental rehab. A third notice is required for prospective tenants moving into the property during rehabilitation.)</p> <p>Rents on all units cannot be increased from pre-rehab amounts for one year from the date the rehab was completed.</p>

**Michigan State Housing Development Authority
Housing Resource Fund**

RENTAL REHABILITATION QUICKFINDER

Eligible Properties & Applicants	
Eligible Applicants <i>(PB #18)</i>	<ul style="list-style-type: none"> • Non-PJ local units of government • Non-Profits applying for a Neighborhood Preservation Program (NPP) Grant or a similarly comprehensive strategy targeted at a residential neighborhood adjacent (i.e., within a 5-minute walk) to a downtown, commercial center or gateway – and demonstrating significant local support
Eligible Properties <i>(PB #17)</i>	<ul style="list-style-type: none"> • Investor-owned rental property
In-Eligible Properties <i>(PB #17)</i>	<ul style="list-style-type: none"> • Rental properties still in compliance period from previous assistance. • Commercial properties • Temporary shelters
Eligible Activities	
Rehabilitation <i>(PB #17)</i>	<ul style="list-style-type: none"> • Moderate or substantial rehabilitation of existing occupied or vacant rental housing, or conversion of vacant space to rental units
Eligible Improvements	
Project Hard Costs <i>(PB #10)</i>	<p>The actual cost of rehabilitating housing, including:</p> <ul style="list-style-type: none"> • Costs to meet applicable new construction or rehabilitation standards • Energy-related repairs or improvements • Improvements necessary for persons with disabilities • Reduction or abatement of lead-based paint hazards, however these costs must be included in maximum assistance allowed as outlined below <p>If CDBG-Assisted:</p> <ul style="list-style-type: none"> • Facade improvements may be eligible as part of the rehab project as long as they are generic or uniform to the building.
Assistance Levels and Lien Requirements	
Minimum and Maximum Assistance Levels <i>(PB #9)</i>	<p>If HOME-Assisted:</p> <ul style="list-style-type: none"> • Minimum of \$1,000 per unit • Maximum of \$14,999 per unit inclusive of all costs including lead-based paint hazard remediation or abatement, and soft costs charged to the project, for existing units (5 year forgivable lien) • Maximum of \$40,000 per unit for newly created units exclusive of lead costs and soft costs (10 year forgivable lien if assistance is > \$14,999 up \$40,000) <p>If MSHDA or CDBG-Assisted:</p> <ul style="list-style-type: none"> • No minimum per unit assistance requirement • Maximum of \$25,000 per unit for existing residential units inclusive of all lead costs and soft costs • Maximum of \$35,000 per unit for newly created units inclusive of all lead costs and soft costs (units converted from non-residential space or units unoccupied for at least 5 years) • 5 year lien required

Project Soft Costs & Relocation	
Project Soft Costs (PB #21)	<ul style="list-style-type: none"> • Reasonable and necessary costs associated with the project generally limited to: <ul style="list-style-type: none"> - 10% of grant (not including 10% administrative fee OR for Grants beginning 12/1/2010 the soft costs can be 15% and Administrative fee 5%) for HOME MSHDA-funded projects - 2% of grant (not including 10-18% administrative fee) for CDBG MSHDA-funded projects
Relocation Costs (PB #24)	<ul style="list-style-type: none"> • Temporary relocation costs as set forth in the Uniform Relocation Act and Section 104(d) of HCDA of 1974 (<i>Permanent relocation is not permitted</i>) • To avoid economic displacement, rents on <u>all</u> units, regardless of tenant household income, cannot be raised above the pre-rehab rent for 1 year following completion of the rehab.
Property Standards	
Housing Quality (PB #10)	<ul style="list-style-type: none"> • Local codes, ordinances and standards (Generally, International Building Code) • If no local standards, Section 8 Housing Quality Standards (HQS) are required • Grantee must have written Rehabilitation Standards
Rent and Occupancy Requirements	
Income Targeting (PB #16 and #25)	<p>If HOME-assisted:</p> <ul style="list-style-type: none"> • Low-income: Generally, 100% of all HRF-assisted units must serve tenants with income at or below 60% of area median income (AMI), adjusted for family size; up to 80% AMI for recertification of existing tenants. • Very low income: IF 5 OR MORE ASSISTED UNITS in a single project, at least 20% must serve tenants with incomes at or below 50% AMI, adjusted for family size <p>If CDBG-assisted:</p> <ul style="list-style-type: none"> • In an NPP or a Downtown Revitalization area only 51% of units in a structure must have incomes at or below 80% of the AMI at initial occupancy.
Rent Limits (PB #25)	<ul style="list-style-type: none"> • Rent limits published annually by HUD and MSHDA • Rents must be adjusted for tenant-paid utilities using MSHDA's utility schedule • Rents may not be increased for one year after rehab <p>If HOME-assisted:</p> <ul style="list-style-type: none"> • Low-income units – lesser of: <ul style="list-style-type: none"> Section 8 Fair Market Rent OR High HOME Rent Limit <p>If more than 5 units assisted, 20% of units must be rented at lesser of FMR or Low HOME Rent</p> <p>If CDBG-assisted:</p> <ul style="list-style-type: none"> • Section 8 FMR applies (PHA exception rent allowed) for 51% of units at initial occupancy

Owner Leveraging Requirements (<i>PB #18</i>)	Minimum of 25% of total project costs
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FOR MORE INFORMATION:
Refer to the Housing Resource Fund (HRF) Summary, contact your MSHDA CD Specialist,
or call (517) 373-1974

MSHDA
Office of Community Development
HOUSING RESOURCE FUND SUMMARY

L. ADMINISTRATION

When you apply, you will be asked to complete the appropriate pages of the Housing Resource Fund Application, Section III, "Administrative and Component Compliance Guidelines." **The "Administrative Guidelines" portion of Section III must be completed by all applicants;** this section describes how the proposed project will be administered in compliance with all applicable laws and regulations. The "Component Compliance Guidelines" portion of Section III is tailored to each HRF component; complete only the guidelines for components under which HRF funding is being requested. The major areas addressed by the Administrative Guidelines are:

- **Local Program Guidelines.** Grantees must publish a local program description which covers the areas of administrative and component compliance. At a minimum, these Program Guidelines must be consistent with the Administrative and Component Compliance Guidelines sections of the HRF application. Over time, however, many HRF Grantees have established stricter guidelines that clearly define program requirements, eligible activities, lien requirements, roles and responsibilities and the like. The Program Guidelines become the written proof of the local program offering.
- **Project Administration.** Grantees must assure administrative costs charged to the program will be within allowable limits.
- **Procurement of Administrative Services.** Grantees must assure fair selection of contracted third-party administrators and submit a Third Party Administration Plan for each grant so administered.
- **Environmental Review.** All proposals receiving federal funding from OCD must complete an Environmental Review. Grantees must determine the level of Environmental Review that will be completed prior to committing any funds to the project. No project funds may be committed prior to the completion of an Environmental Review and written confirmation from MSHDA of a Release of Funds date. See OCD's [Environmental Review Procedural Guide](#) at the State of Michigan website: www.michigan.gov/mshda, Nonprofits & Local Governments/Community Development Tools/Environmental Review.
- **Fair Housing.** Grantees must document compliance with federal requirements. See OCD Policy Bulletins #22 and 23.*
- **Assurance of Equal Access to Program Benefits.** Grantees must indicate planned program outreach.
- **Assurance of Equal Access by Qualified Contractors.** Grantees must indicate planned program outreach.
- **Labor Standards.** Grantees must comply with Davis-Bacon and Related Acts (DBRA), if applicable. See OCD Policy Bulletin #14.
- **Assurance of Fair Selection of Participating Households.** Grantees must disclose selection

methods for households receiving benefits.

- **Assurance of Fair Selection of Contractors.** Grantees must disclose selection methods for contractors receiving benefits.
- **Minimum Contractor Qualifications.** Grantees must comply with laws and local ordinances covering the persons who will be paid for construction activity. See OCD Policy Bulletin #7.
- **Lead Paint Requirements.** Grantees must demonstrate capacity to comply with HUD Lead Paint Hazard Reduction requirements. See OCD Policy Bulletin #26.
- **Complaint Procedure.** Grantees must have a plan for dispute resolution. See OCD Policy Bulletin #3.
- **Local Government Public Participation Requirements.** Local governments must explain steps taken to assure public participation.
- **Consultation Requirements for Nonprofit Applicants.** Nonprofit applicants must document consultation with the local unit of government.
- **Audit.** Grantees must explain their plan to comply with audit requirements.
- **Certification.** Grantee's authorized signatory must certify responses to the guidelines.

Administrative Costs. All administrative costs must directly relate to the grant and be itemized when requesting reimbursement. Do not include administrative costs in your application however; if it is approved, OCD will add in:

- If CDBG funds are used, up to a maximum of 20% of the total grant for administrative and project soft costs combined. Administrative costs are capped at 18% of the grant; with an additional 2% allowed for project soft costs. All administrative expenses must be itemized; project soft costs do not.
- If HOME or MSHDA funds are used, 10% of the total grant for administrative costs and up to 10% for project soft costs, if not already included in the project proforma(s).
- This formula for administration/project costs affect non-development activities, rental rehabilitation, and homeowner rehabilitation.
- **Grantee CDBG Program Income** funding is limited to 20% in administrative and project soft costs combined.

Additional information on Administrative Fees may be located in OCD's Policy Bulletin #21.

Developer Fees. Homebuyer and rental development projects are supported with developer fees as outlined in OCD Policy Bulletin #29. A developer fee creates a leveraging incentive by reimbursing the grantee based on the value of the property developed rather than the amount of HRF funds used. Developer fees are included on the project pro forma, subject to the limits described under "Developer Fees."

- **Due Diligence in the Procurement of a Third Party Administrator.** The use of third party

administrators, for some agencies, is an essential element of running a successful housing program. MSHDA's Office of Community Development (OCD) offers guidance on the procurement of, and reimbursement for, these professional services in Policy Bulletins 5 and 6.

However, the search for an effective grant administrator begins in the early stages of program planning when applicants explore the ramifications of grant management on staff time and available resources. To assist grantees in their self assessment and possible decision to begin the search for a grant administrator, OCD encourages consideration of the following to ensure due diligence in the procurement of third party administrators.

- Know your own program; as the grantee, your Board is still responsible for compliance with the terms of the grant agreement and regulations governing allowable expenditures.
- Use proper procurement standards in the hiring of outside consultants (see OCD Policy Bulletin #5).
- Present a comprehensive list of tasks/skills in your written request for proposals.
- Ask for evidence/documentation of: experience administering housing programs, program knowledge, financial stability, staff capacity, training, etc. Documentation must include contact names and phone numbers.
- Verify the information presented in responding proposals.
- Use clear and succinct written agreements. Be sure that your selected contractor understands the responsibilities required under the agreement.
- Take stock of your internal staff capacity to perform grant administration activities that are required of the grantee; assign a staff person to be the liaison to your third-party administrator (this person should understand program guidelines, federal requirements, etc.).
- Participate actively in writing program guidelines that accurately reflect the parameters of your program.
- Establish and enforce active, ongoing, progress and financial reporting responsibilities for your program.
- Make sure you have current manuals, forms, policy bulletins, etc.
- Plan with your administrator for the completion of milestones and desired results.

Document everything. (HUD's Law: If it isn't in writing it doesn't exist.)

*OCD Policy Bulletins may be accessed through the State of Michigan website: www.michigan.gov/mshda -- Nonprofits & Local Governments/Community Development Tools/Policy Bulletins.

<p style="text-align: center;">MSHDA Office of Community Development HOUSING RESOURCE FUND SUMMARY</p>

M. DEVELOPER FEES

PAYMENT OF DEVELOPER FEES TO GRANTEES IN LIEU OF ADMINISTRATIVE COSTS

OBJECTIVE

To support grantee's reasonable costs resulting from housing development projects while providing an incentive to leverage local project funds. A desired result would be to increase production of affordable units with available MSHDA dollars.

To enable more Michigan local governments and nonprofits, especially CHDOs, to engage in the development of affordable housing.

HOW IT WORKS

A developer fee provides funding to the grantee based on the cost of the project and the scope of the grantee's responsibilities. It is paid as an alternative to administration, which is paid based on the amount of MSHDA funds used. The developer fee is not based on reimbursing costs incurred, but as a fee for completed units.

DEFINITIONS

Administrative Costs. Cost of eligible administrative services and overhead. These costs must be documented to have been incurred in order to be allowable and are based on the amount of MSHDA funds used for a project.

Developer Fee. The fee for services paid to a housing developer, based on the Total Development Cost and the scope of the developer's responsibilities. Developer fees are used by grantees to pay administrative and overhead costs, but are paid as "fees for services rendered" and *do not have to be fully offset by incurred costs*. See definition of "Total Development Cost" for the ways this term is used in the context of various CD housing program models.

Development. In order to be eligible to be paid a developer fee, the grantee must be *developing* property. Generally, this means the grantee must either be (a) creating new affordable housing units and marketing them within the local economy, or (b) enabling the improvement of housing within the context of a real estate transaction by arranging financing, etc. Rehabilitating or repairing property under continuous ownership (such as homeowner rehab) is not generally housing development. MSHDA makes the final determination whether a developer fee is appropriate.

Development Soft Costs. The costs incurred in affordable housing projects as outlined below. Where a developer fee is charged, all administrative and soft costs are paid from the developer fee.

NOTE: Closing costs connected with the *sale* of property to eligible low-income homebuyers are *not* considered development soft costs for the purpose of this policy. As a result, they are not included in the total project cost and they may be paid from the proceeds of sale rather than being taken from the developer fee. Closing costs anticipated by this policy include real estate commissions, transfer taxes, and the provision of an owner's title insurance policy to the homebuyer. On the other hand, soft costs—such as unpaid property taxes or utility bills—paid from the proceeds of sale will be deducted from the developer fee. See the ADR Proforma instructions for more detail on how to reflect such costs on the project proforma. Grantees with questions about allowable seller's closing costs should contact OCD for clarification.

Total Development Cost. The actual cost of developing the housing unit, not including the developer fee, for example:

- *Acquisition and resale* includes the cost of acquiring the property to be developed, and construction/rehab costs (It does not include any construction contingency costs, or closing costs connected with the sale to the eligible homebuyer.)
- *Down payment with rehab* includes the initial purchase price (with associated costs) and rehab costs.
- Insurance, property taxes, security, maintenance, and utility payments during the project period may be billed as hard costs;

Total Project Cost. The Total Development Cost plus the developer fee; i.e., total cost of producing the housing unit, including the developer fee.

PROJECT SOFT COSTS

All soft costs are paid by the grantee from its developer fee. These costs include construction management, program outreach, overhead and administrative costs, including the costs in items (a)-(h) below, whether or not these services are provided by the grantee's staff or contracted to third parties (these costs are similar to those outlined in the HUD HOME rule at 24 CFR part 92.206(d)). These costs may include:

- (a) Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups;
- (b) Costs to process and settle the financing for a project including construction loan interest;
- (c) Costs of a project audit that MSHDA may require with respect to the development of the project;
- (d) Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants;
- (e) For rental projects, the costs of funding an initial operating deficit reserve (a reserve to meet any shortfall in income during the project rent-up to pay for

operating expenses, scheduled payments to a replacement reserve, and debt service);

- (f) Staff and overhead costs directly related to carrying out the project, such as: Work specifications preparation, inspections, and other services related to assisting owners, tenants, and homebuyers during the project period, or
- (g) Costs for the payment of impact fees charged for all projects within a jurisdiction;
- (h) Costs of required environmental review and release of funds which are directly related to the project.

For costs not explicitly listed within the HOME regulations as soft costs, MSHDA has established the following general guidance for determining which project costs can be considered hard costs and which are soft costs that should be paid from the developer fee proceeds. If there is any question about the eligibility of a hard cost, grantees should contact their CD Specialist.

Hard Costs: If the expenditure of funds results in tangible, physical improvements to real property, then the cost item is generally a hard cost. The cost of acquiring real property for development is also a hard cost. Examples of eligible hard costs include: construction contract costs, appliance purchases, demolition, landscaping installation, etc. Additionally, MSHDA allows the following expenses to be charged as hard costs during construction/rehabilitation and until the unit is sold: Utilities, security, maintenance, insurance, taxes, and construction loan payments. Costs are to be reasonable and supported by documentation.

Soft Costs: If the expenditure of funds is for a normal recurring cost associated with the ownership of property, then the cost item is generally a soft cost even if that cost is necessary to complete the project. Examples of soft costs include: appraisals, architect fees, specification writing, inspections, etc.

RATIONALE FOR SETTING DEVELOPER FEE RATES

MSHDA establishes developer fees for various program models based on a number of considerations, including, but not limited to:

1. Reasonable costs for the services provided (MSHDA may adjust developer fees payable on projects at its discretion to assure reasonableness);
2. The “value” of the development services provided to MSHDA—i.e., the extent to which the project proposed accomplishes MSHDA’s priorities for investment (e.g., revitalization of a distressed target area of importance to the community, the promotion of income diversity in communities, creation of a healthy balance of owner occupancy and affordable rentals in a target area, etc.);
3. The extent to which payment of a developer fee promotes the use of leveraged financing, or helps to offset the staff costs of grantees seeking to produce more units while using fewer MSHDA dollars.

DEVELOPER FEE LIMITS BASED ON PROJECT TYPE

Examples, as they apply to typical MSHDA CD program models, are shown in the table below. Grantees proposing other kinds of projects may propose a percentage rate to be applied based on the development functions for which they will be responsible:

- Acquisition/Development/Resale with new construction or substantial rehabilitation (rehab exceeding \$25,000): 15% of total project cost
- Acquisition/Development/Resale with moderate rehabilitation (rehab of \$25,000 or less): 10% of total project cost
- Homebuyer Purchase/Rehab: 8% of total project cost
- Small Scale Rental Development with new construction or substantial rehab: 15% of total project cost
- Small Scale Rental Development with moderate rehab: 10% of total project cost

These percentages apply to CD's various program models; for example, the applicable percentage will not normally vary project-by-project. However, **MSHDA reserves the right to adjust (i.e., reduce) the developer fee to be paid whenever the scope of the responsibilities of the grantee as a developer is substantially reduced.** MSHDA may do this either for a whole grant or on a project-by-project basis within a grant. MSHDA will inform the grantee of this adjustment prior to project set-up.

PROFORMA REQUIREMENTS

A detailed pro forma must be submitted for each project, showing developer fee and total soft costs, total development costs, and all sources of financing used to meet these costs.

Additionally, the developer fee is paid from the project budget as a whole. In the event other funds are being awarded to the project by other funding sources—regardless of the designation of which specific itemized costs are attributed to those resources—must be disclosed on the proforma. While MSHDA allows, for example, a 15% developer fee on most ADR projects, grantees may not charge the whole fee to MSHDA and collect additional funds for developer fee or soft cost items from other sources.

DEVELOPER FEE AND MSHDA NET SUBSIDY LIMITS

The estimated developer fee is included as a part of the rehab or new construction activity and is included in the project set-up. **Developer fees are not included when calculating the “net subsidy limits”** allowed under OCD's program parameters.

EXAMPLE: An ADR project is proposed involving \$15,000 acquisition and \$40,000 rehab. The total development cost before the developer fee would be \$55,000. The developer fee payable would be \$8,250 (15% of \$55,000). Total Project Cost would be \$63,250. If the grantee were to leverage, say, \$45,000 in project costs locally, the project would be set up for \$18,250, and the fee would be unaffected.

LIMITS TO DEVELOPER FEE COLLECTED BEFORE PROJECT COMPLETION

For good cause, up to 50% of the fee may be charged to the project prior to completion, usually only after showing substantial progress on a project and only with the approval of your CD Specialist. When grantees are ready to bill a portion of the developer fee, it should be billed through the Expense Detail Form on the Financial Status Report; developer's fees should never be requested as an advance.

PROJECT CONDUCTED BY A CHDO IN A LOCAL PJ WITH A LOCALLY ESTABLISHED PROCEDURE FOR THE PAYMENT OF DEVELOPER FEES

Upon review of the local PJ policy, MSHDA may at its discretion and with the consent of the PJ and HUD, elect to award its funds to the PJ to be administered under its local policies (the local PJ will be responsible for awarding funds and assuring compliance), or

MSHDA may elect to implement the project using either developer fees or administrative fees. The grantee will be responsible for documenting that MSHDA and the PJ are not both paying for the same services. Generally, where a developer fee is being charged, MSHDA will manage the payment of developer fees while expecting that PJ funds contributed to the project are used toward eligible hard costs.

WHEN PROJECT DEVELOPMENT IS BEING CONTRACTED TO A THIRD PARTY

1. The grantee will need to show that the services of the developer have been procured in a fair and open manner. The above figures are maximums allowed by MSHDA, but the cost of development services should be considered when securing a developer.
2. Site monitoring will examine:
 - a. Whether development services are being provided by the lowest-cost responsible party; and
 - b. Whether the services specified in the contract are being satisfactorily delivered for the contracted price.

INCLUDING THE DEVELOPER FEE IN AN APPLICATION FOR A NEW GRANT

Developer fees are not applied for separately. They are included in the pro forma used to apply for fund and are included in the project costs. The developer fee is not a separate line item; include it in the construction/rehab line of the application budget.

INCLUDING THE DEVELOPER FEE IN A GRANT THAT INCLUDES BOTH DEVELOPMENT AND NON-DEVELOPMENT ACTIVITIES

Contact your CD Specialist prior to proceeding. Generally, administrative reimbursement will apply to the non-development components (components other than homebuyer or small scale rental development).

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N. INCOME LIMITS

To be eligible for our programs, an applicant's income must not exceed current Income Limits as set forth by HUD. The following two income methods are used to calculate the gross income projected over the next 12 months for all adult household members.

For Homeowner and Homebuyer Programs – IRS Form 1040 Long Form Method

Effective September 1, 2009, the Office of Community Development (OCD) has determined all OCD Grantees will calculate “adjusted gross income” as defined for reporting purposes under the [IRS Form 1040](#) long form for all homeowner and homebuyer activities (homeowner rehabilitation, ADR, and HPR). The IRS Form 1040 Long Form method is used only to determine program eligibility and is not used to calculate subsidy.

For Rental Rehabilitation and Rental Development Programs – Part 5 Annual Income

For all Rental Rehabilitation and Rental Development activities, OCD Grantees will calculate annual income as defined in 24 CFR 5.609, also referred to as "[Part 5 annual income](#)", and is used to determine program eligibility and to calculate subsidy.

For current Income Limits, go to <http://www.huduser.org/datasets/il.html>, click on Income Limits, scroll down and click on MI. These income charts are published by HUD and show the 30%, 50%, and 80% AMI limits. Additional breakpoints at 40%, 60%, and 70% AMI will be calculated by OCD using statistical methodology consistent with HUD's calculations.

Should you have any questions about these issues, please refer to **Policy Bulletins #11 A-D** or contact your Community Development Specialist.

MSHDA Office of Community Development HOUSING RESOURCE FUND SUMMARY
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O. HOME PROGRAM RENT LIMITS

Rent and Income Limits Under the HOME Program

For projects with one to four (1-4) HOME-assisted units (HAUs), the maximum rent to be charged initially is established by HUD for the area. This figure is the lesser of the HUD published High HOME Rent (65% Rent Limit) or the FMR. Household income when there are 1-4 HAUs for initial tenants must be less than 60% AMI. Subsequent household tenants can have incomes at or below 80% AMI.

For projects with five (5) or more HOME-assisted units, 20 percent of the assisted units must be rented at the lesser of the Low HOME Rent (50 percent Rent Limit) or the FMR. The remaining 80 percent of the units must be rented at the lesser of the HUD published High HOME Rent (65 percent Rent Limit) or the FMR. Household income for 80% of the HAUs must be below 60% AMI for the initial tenants, and must be below 50% AMI for 20% of the HAUs. Subsequent tenants can have income up to 80% AMI for 80% of the HAUs and up to 50% AMI for 20% of the HAUs.

The Rents for the following cities should be used for the corresponding counties listed. All other counties are listed as a county-wide metropolitan statistical area

CITY/CITIES	COUNTIES
Ann Arbor	Washtenaw
Barry County	Barry
Battle Creek	Calhoun
Bay City	Bay
Cass County	Cass
Detroit-Warren-Livonia	Lapeer, Macomb, Oakland, St. Clair and Wayne
Flint	Genesee
Grand Rapids-Wyoming	Kent
Holland-Grand Haven	Ottawa
Ionia County	Ionia
Jackson	Jackson

Kalamazoo-Portage	Kalamazoo and Van Buren
Lansing-East Lansing	Clinton, Eaton and Ingham
Livingston County	Livingston
Monroe	Monroe
Muskegon-Norton Shores	Muskegon
Newaygo County	Newaygo
Niles-Benton Harbor	Berrien
Saginaw-Saginaw Township North	Saginaw

For information regarding CDBG and MSHDA rent limits or if you have further questions, please refer to OCD Policy Bulletin #25 or contact your Community Development Specialist.

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P. SECTION 203B LOANS, MAXIMUM MORTGAGE LIMITS

HOME-funded Homeowner Rehabilitation projects require that the after rehab value does not exceed the HUD Maximum Mortgage limit (Section 203B).

These Maximum Mortgage Limits are updated on a calendar year basis as set forth at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/maxprice.cfm>

If you have further questions, please contact your Community Development Specialist.

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Q. RENTAL HOUSING WITH HOME FUNDS

Note: The following section has been adapted from a publication used nationwide to train on the HOME program and is included only as supplemental information. The provisions presented in this section are based on federal regulations, and since MSHDA requirements are tailored to the Michigan housing market, MSHDA's program is more restrictive in some areas. If this section appears to allow projects that would not be permitted under the "Small Scale Rental Development" or "Rental Rehabilitation" components of the Housing Resource Fund, the component description would take precedence. Contact your CD Specialist for more information.

HOME stands for the HOME Investment Partnership Program, which became law in 1990. Current operational regulations: Final rule, 24 CFR Part 92, effective 10/16/96, as amended.

OVERVIEW

The HOME Program can be used to create or rehabilitate affordable rental housing.

Assistance is provided to property owners who, in turn, agree to restrict rents and limit occupancy to low income residents for a specified period of time.

- Rents are STRICTLY controlled in assisted units.
- Tenants that live in assisted units must have low or very low incomes.
- Both rent and occupancy restrictions are enforced for the entire period of affordability.
- Both the rent and income targeting requirements must be enforced by deed restriction, covenants running with the land or other mechanism approved by HUD.
- Foreclosure or transfer in lieu of foreclosure. HOME funds are fully repayable in the event of foreclosure or deed in lieu of foreclosure, or in the event of default for non-compliance. Affordability restrictions may be terminated upon foreclosure or transfer in lieu of foreclosure, but affordability requirements will be revived if before the foreclosure the owner of record or anyone with business or family ties to the owner obtains an ownership interest in the property or project.
- Under most circumstances, housing funds may not be used for projects assisted under Title VI of the National Affordable Housing Act (mortgage prepayment), for public housing units or for projects previously funded under 24 CFR 511 (Rental Rehabilitation Program).

LEVEL OF HOME INVESTMENT

Minimum HOME investment

- \$1,000/unit
- Minimum is a per-project average for all HOME assisted units

Maximum HOME investment is the lesser of:

- maximum amounts published by HUD (221(d) 3 limits); OR
- the total project development costs; OR
- the minimum required for project feasibility

REQUIREMENTS AT INITIAL OCCUPANCY

Every assisted unit is subject to rent controls and income targeting restrictions designed to make sure that rents are affordable to low income households and low income households are targeted.

Occupancy Requirements

- All HOME-assisted units must be rented, throughout the compliance period, to households who have annual incomes that are at or below 60% of Area Median Income (AMI) as defined annually by HUD. These tenants are known as “low income” (LI) under HOME.
- If the project contains five or more HOME-assisted units, at least 20% of the HOME-assisted rental units must be occupied by families who have annual incomes that are 50% or less of median income. These tenants are known as “very low income” (VLI).

Examples:

Total # of HOME Assisted Units	Low Income Units (60% or less of AMI)	Very Low Income Units (50% or less of AMI)
4	4	0
5	4	1
8	6	2
11	8	3

Rent Requirements

- All HOME-assisted units are subject to rent restrictions for the compliance period. Any units that are required to serve VLI tenants (i.e., the 20% at 50% noted above) are subject to Low HOME rents, while the remaining units are subject to the High HOME Rents as defined below and published annually by HUD:¹

¹Please refer to Enclosure A, “HOME PROGRAM RENTS” (by County), found under the tab “HOME Program Rents.” Rent limits are calculated and published annually by HUD, and are available from HUD and on the HUD HOME web page <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm>.

- **LOW HOME RENTS:** For those projects with five or more HOME assisted units, at least 20% of assisted units must have rents which are not higher than **the lesser of:**

- 30% of annual incomes for households at 50% of median income, LOW HOME rent as calculated by HUD, minus tenant paid utilities

OR

- The Section 8 Fair Market Rents (FMR) (or area-wide exception rents)² for existing housing, minus tenant paid utilities

- **HIGH HOME RENTS:** All remaining assisted rental units must have rents not higher than **the lesser of:**

- The Section 8 Fair Market Rents (FMR) (or area-wide exception rents) for existing housing minus tenant paid utilities

OR

- Rents which are 30% of adjusted income for households at 65% of median income, HIGH HOME rent as calculated by HUD, minus tenant paid utilities.

Tenant paid utilities must be deducted from the maximum rent limits to determine the maximum permissible contract rent.

Examples:

High Rents

\$533 FMR
~~\$592 High HOME rent~~
 - \$50 Utility allowance
 \$483 Maximum HOME rent

Low Rents

~~\$533 FMR~~
 \$482 Low HOME rent
 - \$50 Utility allowance
 \$432 Maximum HOME rent

- Utility allowances may be estimated using the Utility Allowance Schedule prepared by the local Public Housing Authority may be used when adjusting rents.
- Utility adjustments proposed by owners/developers for specific projects must be approved by a PJ and must be supported by documentation.

²Some communities receive exceptions from the published FMRs based upon petitions from public housing authorities. If such an exception has been granted to a jurisdiction on an area-wide basis, HOME participants may compare the "exception rents" to rents calculated for households at 65% of median.

FUTURE RENT AND OCCUPANCY REQUIREMENTS

For projects assisted with HOME funds, the assisted units are controlled for a minimum of 5-20 years, depending upon the HOME dollars per HOME assisted unit and the activity undertaken:

Rehabilitation or acquisition of existing housing

< \$15,000/unit	5 years
\$15,000 - \$40,000/unit	10 years
> \$40,000/unit	15 years

New construction or acquisition of new housing 20 years

A Regulatory Agreement and Note and Mortgage will detail the period of affordability for each project.

- During the entire affordability period, owners must maintain the project's low income occupancy and rent restrictions and otherwise comply with HOME Program regulations and the Regulatory Agreement or Note and Mortgage.
- Both the rent and income targeting requirements must be enforced by deed restriction, covenants running with the land, or other mechanism approved by HUD.
- MSHDA annually provides FMRs and calculations of rents affordable to VLI and LI families so that owners and program administrators can establish new rents for projects.
- Maximum monthly rents and utility allowances must be established annually by the owner in accordance with the HUD guidelines.
- Based on the annual rent charts, rents may increase or decrease. In the event of an increase, tenants must be given at least 30 days written notice before increases are implemented. Any increases are also subject to other provisions of the lease agreements. Rents could decrease! However, project rents are not required to fall below the HOME rent limits in effect at the time of project commitment or the tax credit rents in effect the year the project is placed in service, whichever is higher.

SPECIAL ISSUES IN MIXED PROJECTS

#1 Identifying Assisted Units in Mixed Projects

- Most affordable rental housing projects will be 100% low income and subject to rent and occupancy requirements on all the units.
- However, the HOME Program regulations require restrictions only for those units for which HOME funds pay for a portion or all of the prorated capital costs – i.e., the “HOME-assisted units”. Units that are fully funded with other funds are not subject to HOME rent and occupancy restrictions, creating a mixed-income project.
- Mixed-income projects raise several questions related to defining the “assisted” units in the project.

#2 Determining the number of “Home Assisted Units” in a particular project.

The HOME program requires that the minimum number of HOME assisted units must be equal to the proportion of development costs paid for with HOME funds, roughly calculated as follows:

$$\frac{\text{Total HOME funds}}{\text{Total “Eligible” Dev. Cost}} = \text{\% of units that are HOME assisted}$$

- “Eligible” Development Costs would include all costs eligible for HOME, and exclude ineligible costs such as capitalized reserves, non-housing costs, and spaces not exclusively for the use of the residents. It would also exclude costs paid for with match funds.
- Furthermore, eligible development costs cannot exceed the HOME maximum per-unit subsidy limits, as adjusted for unit sizes. If they do, the maximum subsidy limit would be used to compute the minimum number of assisted units.
- Also, this assumes that HOME assisted units are proportionately distributed across the unit types in the development. If not, the calculation must be based on square footage distributions.

#3 Assisted Units can either be “fixed” or “float” throughout the project.

The HOME Program allows units to have a “fixed” or “floating” designation, which is selected by the developer, subject to the approval of the Participating Jurisdiction.

- The fixed designation means that specific units are designated as HOME assisted for the entire compliance period, and any new occupants in those units must be income eligible. The unassisted units will not be required to be used according to HOME regulations at any time (unless a compliance violation by the owner requires use of the unrestricted unit(s) to correct the violation.
- The floating designation means that a certain number of units are to be classified as HOME assisted, but the units that comprise that total are going to vary over the compliance period as units turn over. When the floating designation is used, the non-assisted and assisted units must be comparable.
- Comparability requires that:
 - The units have similar size, based on the number of bedrooms; and
 - The units have similar amenities.
- The program administrator or owner must select floating units at the time of project commitment.

MINIMUM PROPERTY STANDARDS

New Construction and Rehabilitation.

- Accessibility requirements of the Fair Housing Act and Section 504
- Locally adopted standards including all:
 - codes
 - ordinances
 - rehabilitation standards
 - zoning ordinances
- If no local standards exist, projects must meet one of these model codes:
 - International Building Code (IBC)
 - International Building Code (IBC) for Rehabilitation
 - Minimum Property Standards set forth in 24 CFR 982.401 (HQS)

LONG TERM CONSIDERATIONS

1. Long term compliance

- Tenant income must be re-certified annually during affordability period
- If income increases above 80% median, rent must be increased to the lesser of:
 - Market rent OR
 - 30% of tenant's adjusted income
- Rents must be reviewed annually for all HOME-assisted units. Property owners are required to submit annual reports indicating occupancy and rents for all units.
- Owners must maintain the assisted units to property standards. The Participating Jurisdiction will conduct property inspections according to the following schedule:
 - Annually for projects of 26 or more units
 - Every two years for projects of 5-25 units
 - Every three years for projects with 1-4 units

2. Maintaining Low Income Occupancy

- During affordability period, tenants' incomes will rise or fall, and tenants will move.
- As units are vacated, depending on whether the project is a 100% low income project or mixed income project, certain vacant units must be designated as low income to ensure compliance with the low income occupancy requirements.
- If a tenant's household income increases to above 80% of the area median income for the year and the income is being re-verified, other actions may be required. The following chart provides an overview of the specific action(s) required when tenants become over income and/or units become vacant:

	100% Low Income Project	Mixed Income Project
If unit becomes vacant:	Unit must be re-rented to a household at or below 60% or 50% of area median income, depending on whether the unit vacated is VLI or LI.	Same unit or a comparable unrestricted unit may be re-rented to a household at or below 60% or 50% of area median income, depending on the type of unit (VLI or LI) needed to restore compliance.
If tenant becomes over 80% AMI:	Tenant cannot be asked to move and rent must be adjusted to 30% of income. When the unit is vacant, it must be re-rented as noted above.	Existing tenant cannot be asked to move and the "next available unit" (restricted or unrestricted) that is comparable or larger must be re-rented to a household at LI or VLI level as needed to restore compliance.

<p style="text-align:center">MSHDA Office of Community Development HOUSING RESOURCE FUND SUMMARY</p>

R. COMPLEMENTARY REVITALIZATION PROGRAMS

As explained in greater detail in the “CD Investment Priorities” section of this Summary, OCD has found that the best strategy for promoting Communities of Choice is by targeting resources to an identified area to change the perception of owners, investors, and residents of strategically important areas of the community. One such targeted strategy is the Neighborhood Preservation Program (NPP) through which OCD supports improvement in both housing and the neighborhood conditions which must be addressed as part of a successful comprehensive strategy.

A key area of any community for its downtown—the community’s traditional commercial core. Downtowns throughout the country in large and small communities are identifying the need to re-market themselves as desirable destinations for residents of the community and the surrounding areas. In addition, the changing nature of the new creative economy is placing a new importance on downtowns—as vibrant residential neighborhoods rich in amenities and gathering places for the young talent that any region needs to thrive. OCD works closely with MSHDA’s Urban Revitalization Division and Specialized Technical Assistance and Revitalization Strategy (STARS) Division to support communities in their economic redevelopment through a variety of strategies.

MICHIGAN MAIN STREET PROGRAM

The Michigan Main Street Program’s objective is to support and improve Michigan’s downtowns and traditional commercial neighborhood districts by promoting and implementing the Main Street Four Point Approach™ in communities across the state. This program will build partnerships and collaboration amongst stakeholders and encourage historic preservation. It will promote environmentally sustainable redevelopment, integrate communities’ cultural assets, and foster entrepreneurial development and downtown living.

DOWNTOWN MARKET ANALYSIS

The objective of the Downtown Market Analysis Program is to provide communities with a realistic economic snapshot of what their historic downtown or traditional neighborhood commercial district can support in the areas of commercial goods and services as well as gauge the potential for additional residential development. Downtown Market Analyses are done on a continuous basis. Please contact the Michigan Main Street Center @ MSHDA for more information.

CORE COMMUNITIES

In 2000 the Michigan Legislature passed the Obsolete Property Rehabilitation Act (2000 PA 146, MCL 125.2781 to 125.2797) to allow qualified governmental units to establish obsolete

property rehabilitation districts and to permit certain tax exemptions. These qualified governmental units have become known as “core communities.”

In addition, the Neighborhood Enterprise Zone Act (1992 PA 147, MCL 207.771 to 207.787) uses the same definition for “local governmental units” which are eligible to establish Neighborhood Enterprise Zones (NEZ). The NEZ is a powerful tool to promote the rehabilitation of housing, by forgoing the property tax on the increased value of the rehabbed unit, and encourage the development of newly constructed housing by reducing typical tax exposure in these communities. (See the following section on NEZs.)

The intent of these pieces of legislation is to provide incentives to promote and preserve Michigan’s “traditional centers of commerce”—i.e., communities that serve as a focal point for business, public services and infrastructure development for a broader region. In addition, there are many communities that have been traditional centers of commerce but do not meet the criteria for a core community listed in 2000 PA 146. Therefore, all county seats are included in the same programs as are available to Core Communities. As a matter of policy, the Office of Community Development asserts that the future of these core communities and county seats are important to the citizens of the state as a whole, and that the citizens of the region benefit when the quality of life in these particular communities is enhanced.

A list of the core communities and county seats is attached. These communities are eligible applicants for HRF, subject to the following conditions:

- Local HOME Participating Jurisdictions or local governments which participate in a HOME consortium are not eligible to apply;
- CDBG Entitlement Communities or communities participating in a CDBG consortium are not eligible for CDBG funds.

Also, keep in mind that a condition for funding from the HRF is the demonstration of sufficient organizational capacity to complete the proposed project. Small local governments may partner with a regional nonprofit or a county government to establish this capacity.

NEIGHBORHOOD ENTERPRISE ZONE ACT (P.A. 147 of 1992)

Introduction

The Neighborhood Enterprise Zone (NEZ) Program was established in 1992. The program provides a tax incentive for the development and rehabilitation of residential housing. A qualified local unit of government may designate one or more areas as an NEZ within that local unit of government. The program was put in place to spur the development and rehabilitation of residential housing in communities where it may not otherwise occur.

Program Requirements

An NEZ that includes housing units eligible for rehabilitation may not exceed 15% of the whole municipality but may, under special circumstances of economic distress, include as much as 25% of the local unit of government’s total acreage.

A rehabilitated facility is defined as an existing structure or a portion thereof with a current true cash value of \$80,000 or less per unit that is or will be used as residential housing consisting of 1 to 8 units. Improvements, if done by a licensed contractor, would cost more than \$5,000 per

owner-occupied unit or 50% of the true cash value (whichever is less), or \$7,500 per non owner-occupied unit or 50% of the true cash value (whichever is less). If the owner proposes improvements that would be done by the owner, the cost of the materials would be in excess of \$3,000 per owner-occupied unit or \$4,500 per non owner-occupied unit and will bring the structure into conformance with minimum building code standards. Rehabilitated facility also includes an individual condominium unit, in a structure with one or more condominium units. Rehabilitated facility does not include a facility rehabilitated with the proceeds of an insurance policy for property or casualty loss. For more information, please contact the CATeam at 517-241-1737.

TARGETED AREAS

County	Community	2008 Pop. Est. (US Census Bureau)	Eligible Distressed Area as of 03.19.10	Empowerment Zone (RC/EZ) as of 10.08.09	Enterprise Community (EC) as of 10.08.09	Renaissance Zone as of 03.2010	NEZ / Core as of 12.21.09	County Seat	HOME PJ as of 01.01.10	CDBG Entitlement Community as of 01.01.10
Lenawee	Adrian	21,391	X				CC	X		
Calhoun	Albion	9,103	X				CC			
Allegan	Allegan	4,816	X				CC	X		
Gratiot	Alma	9,223	X				CC			
Alpena	Alpena	10,465	X				NEZ, CC	X		
Alpena	Alpena (CIP)					X				
Alpena	Alpena (Oxbow Park)					X				
Alpena	Alpena (Regional Airport 5)					X				
Alpena	Alpena (Regional Airport 6)					X				
Alpena	Alpena (Southwest Residential Site)					X				
Alpena	Alpena County	29,289								
Alpena	Alpena County (National Guard Armory Site)					X				
Washtenaw	Ann Arbor	114,386	X				CC	X	X	X
Montmorency	Atlanta CDP	757	X					X		
Arenac	Au Gres	926				X				
Huron	Bad Axe	3,069	X				CC	X		
Lake	Baldwin village	1,171	X			X	NEZ, CC	X		
Van Buren	Bangor	1,840	X			X	CC			
Calhoun	Battle Creek	52,053	X				NEZ, CC		X	X
Calhoun	Battle Creek (Battle Creek Tower)					X				
Calhoun	Battle Creek (BCHS Community Site-Youth Bldg)					X				
Calhoun	Battle Creek (Kraft Foods)					X				
Calhoun	Battle Creek (Sullivan Barn-Equip Ctr-Hart Hotel)					X				
Bay	Bay City	33,874	X				CC	X	X	X
Ionia	Belding	5,691				X				
Antrim	Bellaire village	1,123	X					X		
Berrien	Benton Charter Twp	15,159	X				CC			
Berrien	Benton Charter Twp (Fairplane South Dev Area)					X				
Berrien	Benton Charter Twp (I-94 Industrial Park)					X				
Berrien	Benton Charter Twp (Meadowbrook and Yore)					X				
Berrien	Benton Harbor	10,814	X				CC			X
Berrien	Benton Harbor (Elisha Gray Enterprise Park)					X				
Berrien	Benton Harbor (Graham Avenue Area)					X				
Berrien	Benton Harbor (Miller's Pond)					X				
Berrien	Benton Harbor (North of Main Industrial Area)					X				
Gogebic	Bessemer	1,846	X			X	CC	X		
Benzie	Beulah village	385	X					X		
Mecosta	Big Rapids	10,257	X				CC	X		
Mecosta	Big Rapids Twp	3,892				X				
Jackson	Blackman Twp	24,348								
Jackson	Blackman Twp (Former Goodyear Site)					X				
Montcalm	Bloomer Twp	3,930								
Montcalm	Bloomer Twp (Carson/Bloomer/North Shade)					X				
Van Buren	Bloomingtondale Twp	3,379				X				
Gratiot	Breckenridge (Breckenridge/Wheeler)					X				
Gratiot	Breckenridge Village	1,284								
Branch	Bronson	2,274	X				CC			
Sanilac	Brown City	1,252				X				
Berrien	Buchanan	4,354				X				
Saginaw	Buena Vista Twp	9,352	X				CC			
Genesee	Burton	29,845	X				CC			

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Wexford	Cadillac	10,245	X				CC	X		
Houghton	Calumet Twp	6,616	X			X				
Wayne	Canton Twp	82,075								X
Tuscola	Caro village	4,020	X			X	CC	X		
Ontonagon	Carp Lake Twp	767	X			X				
Saginaw	Carrollton Twp	5,968	X							
Montcalm	Carson City	1,177	X				CC			
Montcalm	Carson City (Carson/Bloomer/North Shade)					X				
Iron	Caspian	882	X				CC			
Tuscola	Cass City Village	2,493								
Tuscola	Cass City Village (Industrial)					X				
Tuscola	Cass City Village (Millennium)					X				
Cass	Cassopolis village	1,920	X					X		
Macomb	Center Line	8,135	X				CC			
St Joseph	Centreville village	1,521	X					X		
Marquette	Champion Twp	370	X							
Charlevoix	Charlevoix	2,656	X				CC	X		
Eaton	Charlotte	8,984	X				CC	X		
Lake	Chase Twp	1,198				X				
Cheboygan	Cheboygan	4,942	X				CC	X		
Clare	Clare County	30,104			X					
Macomb	Clinton Twp	95,923								X
Branch	Coldwater	10,514	X			X	CC	X		
Midland	Coleman	1,229	X				CC			
Tuscola	Columbia Twp	1,383	X							
Kalamazoo	Comstock Twp	15,486								
Kalamazoo	Comstock Twp (Midlink Business Park)					X				
Shiawassee	Corunna	3,285	X				CC	X		
Van Buren	Covert Twp	3,058								
Van Buren	Covert Twp (Covert 1)					X				
Van Buren	Covert Twp (Covert 2)					X				
Sanilac	Croswell	2,457				X				
Iron	Crystal Falls	1,594	X			X	CC	X		
Wayne	Dearborn	86,477	X				CC		X	X
Wayne	Dearborn Heights	51,972	X				CC			X
Sanilac	Deckerville Village	890				X				
Wayne	Detroit	912,062	X	RC, EZ			CC	X	X	X
Wayne	Detroit (Atwater Street, River East)					X				
Wayne	Detroit (Campus Martius)					X				
Wayne	Detroit (Central City)					X				
Wayne	Detroit (Harridon Terminal)					X				
Wayne	Detroit (I-75)					X				
Wayne	Detroit (I-94 Industrial Park)					X				
Wayne	Detroit (Jefferson Avenue)					X				
Wayne	Detroit (Livernois-Intervale)					X				
Wayne	Detroit (Lynch Road)					X				
Wayne	Detroit (Michigan Avenue)					X				
Wayne	Detroit (Old Packard Site)					X				
Wayne	Detroit (Southwest-Delray)					X				
Wayne	Detroit (Tiger Stadium)					X				
Wayne	Detroit (Woodward Avenue)					X				
Cass	Dowagiac	5,703	X				CC			

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Houghton	Duncan Twp	303	X							
Keweenaw	Eagle River village	130	X					X		
Ingham	East Lansing	45,857	X				CC			X
Manistee	Eastlake Village	563				X				
Macomb	Eastpointe	32,497	X				CC			
Wayne	Ecorse	9,858	X				CC			
Lake	Eden Twp	377				X				
Montcalm	Edmore Village	1,222				X				
Gratiot	Elba Twp	1,367	X							
Tuscola	Elmwood Twp	1,191	X							
Gratiot	Emerson Twp	946	X							
Delta	Escanaba	12,214	X			X	CC	X		
Osceola	Ewart	1,667				X				
Oakland	Farmington Hills	78,522								X
Clare	Farwell Village	807				X				
Oakland	Ferndale	21,112	X				CC			
Manistee	Filer Twp	2,254				X				
Genesee	Flint	112,900	X	RC			CC	X	X	X
Genesee	Flint (Court & Averill)					X				
Genesee	Flint (Downtown-Office-Retail)					X				
Genesee	Flint (Former Buick City Site)					X				
Genesee	Flint (Great Lakes Tech Area)					X				
Genesee	Flint (Historic-Industrial-Housing)					X				
Genesee	Flint (University Park)					X				
Genesee	Flint (Webster Light Industrial)					X				
Genesee	Flint (Windcliff New Housing)					X				
Houghton	Franklin Twp/County Airp	1,278				X				
Clare	Freeman Twp	1,181				X				
Iron	Gaastra	300	X				CC			
Otsego	Gaylord	3,593	X				CC	X		
Genesee	Genesee County	424,043							X	X
Genesee	Genesee Twp	23,051	X				CC			
Wayne	Gibraltar	4,826	X				CC			
Delta	Gladstone	5,067	X				CC			
Gladwin	Gladwin	2,906	X			X	CC	X		
Gogebic	Gogebic County	15,936								
Gogebic	Gogebic County (Airport)					X				
Ottawa	Grand Haven	10,608	X				CC	X		
Kent	Grand Rapids	193,396	X				NEZ, CC	X	X	X
Kent	Grand Rapids (A-Tek Manufacturing)					X				
Kent	Grand Rapids (Division and Buchanan)					X				
Kent	Grand Rapids (Furniture Center)					X				
Kent	Grand Rapids (Grandville)					X				
Kent	Grand Rapids (Madison Square)					X				
Kent	Grand Rapids (Metropolitan Hospital)					X				
Kent	Grand Rapids (Monroe Center)					X				
Kent	Grand Rapids (Railroad Junction)					X				
Kent	Grand Rapids (Terra Firma)					X				
Kent	Grand Rapids (Wealthy-Eastern-Franklin)					X				
Grand Traverse	Grand Traverse County	86,333								
Grand Traverse	Grand Traverse County (Grand Traverse Commons)					X				
Clare	Grant Twp	2,908				X				

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Crawford	Grayling	1,835	X				CC	X		
Clare	Hamilton Twp	1,957				X				
Wayne	Hamtramck	20,512	X				NEZ, CC			
Huron	Harbor Beach	1,617	X				CC			
Wayne	Harper Woods	12,584	X				CC			
Clare	Harrison	1,993	X				CC	X		
Alcona	Harrisville	491	X				CC	X		
Oceana	Hart	1,915	X				CC	X		
Van Buren	Hartford	2,453	X				CC			
Van Buren	Hartford (1)					X				
Van Buren	Hartford (2)					X				
Barry	Hastings	6,858	X				CC	X		
Oakland	Hazel Park	17,955	X				CC			
Wayne	Highland Park	14,153	X				CC			
Hillsdale	Hillsdale	7,762	X				CC	X		
Ottawa	Holland	34,076	X				NEZ, CC			X
Houghton	Houghton	6,878	X				CC	X		
Montcalm	Howard City	1,577								
Montcalm	Howard City (Howard-Pierson-Reynolds)					X				
Livingston	Howell	9,694	X				CC	X		
Lenawee	Hudson	2,313				X				
Wayne	Inkster	26,621	X				NEZ, CC			
Ionia	Ionia	12,589	X				CC	X		
Iosco	Iosco County	25,817								
Iosco	Iosco County (Oscoda-Wurthsmith)					X				
Dickinson	Iron Mountain	7,763	X				CC	X		
Iron	Iron River	3,003	X				CC			
Gogebic	Ironwood	5,368	X				CC			
Marquette	Ishpeming	6,480	X				CC			
Gratiot	Ithaca	3,017	X				CC	X		
Gratiot	Ithaca (Emerson/North Star)					X				
Gratiot	Ithaca (South Ithaca Industrial Park)					X				
Jackson	Jackson	33,518	X				NEZ, CC	X	X	X
Jackson	Jackson (Armory Site)					X				
Jackson	Jackson (Former Drop Forge Site)					X				
Jackson	Jackson (Former Goodyear Site)					X				
Kalamazoo	Kalamazoo	72,179	X				CC	X	X	X
Kalamazoo	Kalamazoo (Eastside Neighborhood)					X				
Kalamazoo	Kalamazoo (Enterprise Center)					X				
Kalamazoo	Kalamazoo (Former Consumers North/Ampersee)					X				
Kalamazoo	Kalamazoo (Northside Commercial)					X				
Kalamazoo	Kalamazoo (Portage Creek Corridor)					X				
Manistee	Kaleva Village	464				X				
Kalkaska	Kalkaska village	2,172	X					X		
Kent	Kent County	608,315								X
Marquette	KI Sawyer AFB	1,443				X				
Missaukee	Lake City	919	X				CC	X		
Lake	Lake County	10,926								
Baraga	L'Anse village	1,882	X					X		
Ingham	Lansing	113,968	X				NEZ, CC		X	X
Ingham	Lansing (Capitol Club Tower Area)					X				
Ingham	Lansing (Martin Luther King Area)					X				

TARGETED AREAS

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Ingham	Lansing (Seven Block Area)					X				
Lapeer	Lapeer	9,018	X				CC	X		
Leelanau	Leland Twp	2,105	X					X		
Jackson	Leoni Twp	13,501								
Jackson	Leoni Twp (Former Concrete)					X				
Jackson	Leoni Twp (Harris-McBurney Site)					X				
Osceola	Leroy Twp	1,188				X				
Wayne	Lincoln Park	35,317	X				CC			X
Wayne	Livonia	91,220	X				CC			X
Mason	Ludington	8,324	X				CC	X		
Macomb	Macomb County	831,427							X	X
Manistee	Manistee	6,110	X			X	CC	X		
Schoolcraft	Manistique	3,085	X				CC	X		
Gogebic	Marenisco Twp	1,666				X				
Sanilac	Marlette Twp	1,984	X							
Marquette	Marquette	20,916	X				CC			
Calhoun	Marshall	7,121	X				CC	X		
Ingham	Mason	8,099	X				CC	X		
Ontonagon	McMillan Twp	522				X				
Wayne	Melvindale	9,812	X				CC			
Menominee	Menominee	8,324	X				CC	X		
Barry	Middleville Village	2,697				X				
Midland	Midland	40,917	X				CC	X		X
Sanilac	Minden Twp	629	X							
Oscoda	Mio CDP	2,016	X					X		
Monroe	Monroe	21,374	X				CC	X		X
Montcalm	Montcalm Twp	3,328				X				
Genesee	Montrose Twp	6,208	X							
Lenawee	Morenci	2,259				X				
Macomb	Mt Clemens	16,781	X				NEZ, CC	X		
Genesee	Mt Morris	3,168	X				CC			
Genesee	Mt Morris Twp	22,216	X				CC			
Isabella	Mt Pleasant	26,675	X				CC	X		
Alger	Munising	2,311	X				CC	X		
Muskegon	Muskegon	39,401	X				NEZ, CC	X	X	X
Muskegon	Muskegon (Muskegon Business Park North)					X				
Muskegon	Muskegon (Muskegon Mall)					X				
Muskegon	Muskegon (Shaw Walker)					X				
Muskegon	Muskegon (Western Ave Subzone)					X				
Muskegon	Muskegon (Whittaker Electric)					X				
Muskegon	Muskegon Heights	11,623	X				CC			X
Muskegon	Muskegon Heights (Hoyt Street Subzone)					X				
Muskegon	Muskegon Heights (Intra City Dispatch)					X				
Muskegon	Muskegon Heights (Mona View)					X				
Muskegon	Muskegon Heights (Sanford Village)					X				
Muskegon	Muskegon Heights (Seaway Drive)					X				
Luce	Newberry village	1,517	X					X		
Berrien	Niles	11,258	X				CC			X
Gratiot	North Shade Twp	703								
Gratiot	North Shade Twp (Carson/Bloomer/North Shade)									
Gratiot	North Star Twp	980								
Muskegon	Norton Shores	23,307	X				CC			X

TARGETED AREAS

County	Community	2008 Pop. Est. (US Census Bureau)	Eligible Distressed Area as of 03.19.10	Empowerment Zone (RC/EZ) as of 10.08.09	Enterprise Community (EC) as of 10.08.09	Renaissance Zone as of 03.2010	NEZ / Core as of 12.21.09	County Seat	HOME PJ as of 01.01.10	CDBG Entitlement Community as of 01.01.10
Dickinson	Norway	2,821	X				CC			
Oakland	Oak Park	30,547	X				CC			
Oakland	Oakland County	1,205,508							X	X
Huron	Oliver Township	1,471	X							
Arenac	Omer	297	X				CC			
Presque Isle	Onaway	902	X			X	CC			
Ontonagon	Ontonagon village	1,509	X			X		X		
Iosco	Oscoda Twp	6,810	X							
Huron	Owendale Village	265				X				
Shiawassee	Owosso	14,963	X				CC			
Van Buren	Paw Paw village	3,222	X					X		
Emmet	Petoskey	6,028	X				CC	X		
Montcalm	Pierson Twp	2,889								
Montcalm	Pierson Twp (Howard-Pierson-Reynolds)					X				
Bay	Pinconning	1,314	X				CC			
Oakland	Pontiac	66,095	X				CC	X	X	X
Huron	Port Hope Village	273				X				
St Clair	Port Huron	30,869	X				CC	X	X	X
Kalamazoo	Portage	46,133	X				CC			X
Presque Isle	Pulawski Twp	385	X							
Wayne	Redford Twp	45,887	X				CC			X
Osceola	Reed City	2,330	X				CC	X		
Montcalm	Reynolds Twp	4,313								
Montcalm	Reynolds Twp (Howard-Pierson-Reynolds)					X				
Wayne	River Rouge	8,449	X				NEZ, CC			
Wayne	River Rouge (East Jefferson Office Site)					X				
Wayne	River Rouge (Pleasant Street)					X				
Oakland	Rochester Hills	69,014								
Presque Isle	Rogers City	3,031	X				CC	X		
Presque Isle	Rogers City (7 Industrial)					X				
Presque Isle	Rogers City (8 Residential)					X				
Roscommon	Roscommon village	1,059	X					X		
Macomb	Roseville	46,782								X
Oakland	Royal Oak	57,110								X
Oakland	Royal Oak Twp	2,702	X				CC			
Saginaw	Saginaw	55,620	X				NEZ, CC	X	X	X
Saginaw	Saginaw (Agape Child Care Center)					X				
Saginaw	Saginaw (Central Business District)					X				
Saginaw	Saginaw (Covenant Health Care)					X				
Saginaw	Saginaw (Davenport Inn)					X				
Saginaw	Saginaw (Former Delphi Plant 2)					X				
Saginaw	Saginaw (Lufkin Rule/Hess Ave/Fairgrounds)					X				
Saginaw	Saginaw (Northeast Saginaw)					X				
Saginaw	Saginaw (Northwest Saginaw)					X				
Saginaw	Saginaw (Old Saginaw City Business District)					X				
Saginaw	Saginaw (Salina Business Area)					X				
Sanilac	Sandusky	2,609	X			X	CC	X		
Chippewa	Sault Ste. Marie	14,087	X				CC	X		
Huron	Sebewaing Twp	2,633	X							
Calhoun	Sheridan Twp	2,123	X							
Oakland	Southfield	75,392	X				CC			X
Saginaw	Spaulding Twp	2,190	X							

TARGETED AREAS

County	Community	2008 Pop. Est. (US Census Bureau)	Eligible Distressed Area as of 03.19.10	Empowerment Zone (RC/EZ) as of 10.08.09	Enterprise Community (EC) as of 10.08.09	Renaissance Zone as of 03.2010	NEZ / Core as of 12.21.09	County Seat	HOME PJ as of 01.01.10	CDBG Entitlement Community as of 01.01.10
Macomb	St Clair Shores	60,364								X
Mackinac	St Ignace	2,335	X				CC	X		
Clinton	St Johns	7,278	X				CC	X		
Berrien	St Joseph	8,458	X				CC	X		
Berrien	St Joseph (Edgewater Redevelopment Area)					X				
Gratiot	St Louis	6,971	X				CC			
Gratiot	St Louis (Bethany Twp)					X				
Arenac	Standish	1,981	X				CC	X		
Montcalm	Stanton	1,483	X			X	CC	X		
Macomb	Sterling Heights									X
St Joseph	Sturgis	10,916	X				CC			
Jackson	Summit Twp									
Jackson	Summit Twp (Former Drop Forge Site)					X				
Jackson	Summit Twp (Former Goodyear Site)					X				
Iosco	Tawas City	1,873	X				CC	X		
Wayne	Taylor	60,619	X				CC			X
Wayne	Taylor (Industrial Park-East Side)					X				
St Joseph	Three Rivers	7,179	X				CC			
Grand Traverse	Traverse City	14,398	X				CC	X		
Wayne	Trenton	17,965	X				CC			
Oakland	Troy	80,264								
Arenac	Turner Twp	606	X							
Tuscola	Vassar	2,665	X				CC			
Gogebic	Wakefield	1,846	X			X	CC			
Gogebic	Wakefield Twp					X				
Macomb	Warren	133,939	X				CC		X	X
Macomb	Warren (Former Warren Tank Plant)					X				
Washtenaw	Washtenaw County								X	X
Oakland	Waterford Twp									X
Berrien	Watervliet Twp									
Berrien	Watervliet Twp (Watervliet Industrial Development)					X				
Wayne	Wayne	17,186	X				CC			
Wayne	Wayne County								X	X
Ogemaw	West Branch	1,816	X				CC	X		
Wayne	Westland	78,961							X	X
Gratiot	Wheeler Twp									
Gratiot	Wheeler Twp (Breckenridge/Wheeler)									
Newaygo	White Cloud	1,390	X				CC	X		
Tuscola	Wisner Twp	729	X							
Wayne	Wyandotte	24,739	X				NEZ, CC			
Wayne	Wyandotte (Central Avenue)					X				
Kent	Wyoming	70,462	X				CC			X
Lake	Yates Twp					X				
Washtenaw	Ypsilanti						CC			

Sources: www.michigan.org/medc
www.census.gov

TARGETED AREAS

County	Community	2008 Pop. Est. (US Census Bureau)	Eligible Distressed Area as of 03.19.10	Empowerment Zone (RC/EZ) as of 10.08.09	Enterprise Community (EC) as of 10.08.09	Renaissance Zone as of 03.2010	NEZ / Core as of 12.21.09	County Seat	HOME P.J as of 01.01.10	CDBG Entitlement Community as of 01.01.10
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TARGETED AREAS

County	Community	2008 Pop. Est. (US Census Bureau)	Eligible Distressed Area as of 03.19.10	Empowerment Zone (RC/EZ) as of 10.08.09	Enterprise Community (EC) as of 10.08.09	Renaissance Zone as of 03.2010	NEZ / Core as of 12.21.09	County Seat	HOME P.J as of 01.01.10	CDBG Entitlement Community as of 01.01.10
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MSHDA Office of Community Development HOUSING RESOURCE FUND SUMMARY
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S. MAJOR LAWS APPLICABLE TO THE HOUSING RESOURCE FUND

Recipients will be required to comply with all applicable federal and state requirements. These include the following:

24 CODE OF FEDERAL REGULATIONS PART 58 AND THE NATIONAL ENVIRONMENTAL POLICY ACT. The regulations provide for the identification of environmental impacts of proposed projects using federal funds. This includes the preparation of environmental reviews (possibly no further reviews for exempt activities, statutory checklist, environmental assessment, or where appropriate, environmental impact statements). **No program funds (federal or nonfederal) can be spent (or even committed on a program) until administrators have completed a regulatory process that ensures compliance with these laws.** This process covers federal funds (CDBG, HOME, ESG) and any nonfederal funds associated with federally funded project(s). Federal Regulations can be found at <http://www.gpoaccess.gov/cfr/index.html> and the NEPA of 1969 is located at <http://www.nepa.gov/nepa/regs/nepa/nepaegia.htm>

AGE DISCRIMINATION ACT OF 1975. No person, on the basis of age, shall be subject to discrimination, excluded from participation in or be denied the benefits of any program or activity for which the recipient receives federal funds. For further information, please refer to http://www.dol.gov/oasam/regs/statutes/age_act.htm.

THE CIVIL RIGHTS ACT. No person in the United States, on the basis of race, color, sex, religion, family status or national origin, shall be excluded from participation in, be denied the benefits of or be subject to discrimination under any program or activity for which the recipient received federal financial assistance. The recipient shall also affirmatively further fair housing. See <http://www.usdoj.gov/crt> for further information.

CRANSTON-GONZALEZ NATIONAL AFFORDABLE HOUSING ACT OF 1990. This Act authorizes the HOME Program. Recipients must comply with all applicable provisions. Details can be found at <http://www4.law.cornell.edu/uscode/42/ch130schl.html>.

DAVIS-BACON AND RELATED ACTS. All laborers and mechanics employed by contractors and/or subcontractors, in the performance of construction work financed in whole or in part with federal funds, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the U.S. Secretary of Labor. This applies to any activity with costs exceeding \$2,000. Rehabilitation or new construction of residential property is not subject to Davis-Bacon unless the property is designed for the residential use of eight or more families (CDBG); or twelve or more families (HOME). The website for Davis-Bacon can be found at <http://www.dol.gov/esa/programs/dbra/>.

ELLIOTT-LARSEN CIVIL RIGHTS ACT. (state law) Prohibits illegal discrimination in employment, housing, and other areas. The act establishes the Michigan Civil Rights Commission and grants them enforcement power over civil rights complaints. For more information, go to http://www.michigan.gov/documents/act_453_elliott_larsen_8772_7.pdf.

GOVERNMENT-WIDE RESTRICTION ON LOBBYING. No federal funds shall be paid to influence or attempt to influence an officer or employee of any government agency or member of Congress, in conjunction with the award of a federal contract, grant or loan.

HOUSING AND COMMUNITY DEVELOPMENT ACT. This Act authorizes the CDBG Program. Recipients must comply with all applicable provisions. Please see the HUD website at <http://www.hud.gov/offices/fheo/FHLaws/109.cfm> for more information.

LEAD-BASED PAINT POISONING PREVENTION ACT. When federal funds are used, construction or rehabilitation of residential structures or non-dwelling facilities commonly used by children (under age seven) is subject to regulations contained in 24 CFR Part 570.608. More information can be found at the US Food and Drug Administration website at <http://www.fda.gov/opacom/laws/leadact.htm>.

THE MICHIGAN PEOPLE WITH DISABILITIES ACT. (state law) Prohibits illegal discrimination against people with disabilities in employment, housing and other areas. Also requires employers and landlords to provide reasonable accommodations for people with disabilities when needed. See http://www.michigan.gov/documents/act-220-of-1976_8771_7.pdf for further detail.

NEIGHBORHOOD STABILIZATION PROGRAM 1 (NSP1). Housing and Economic Recovery Act of 2008 (HERA) legislates the Neighborhood Stabilization Program (NSP) -- Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes. Amounts appropriated under NSP are allocated to States and units of general local government with the greatest need, based on the number and percentage of home foreclosures, homes financed by a subprime mortgage loan, and homes in default or delinquency in each State or unit of general local government.

NEIGHBORHOOD STABILIZATION PROGRAM 2 (NSP2). American Recovery and Reinvestment Act, 2009 (ARRA) allocates funds for Neighborhood Stabilization Program 2 (NSP2) -- for additional activities under Division B, Title III of the Housing and Economic Recovery Act of 2008 (HERA), as amended, for the purpose of assisting in the redevelopment of abandoned and foreclosed homes under the Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes heading.

NEIGHBORHOOD STABILIZATION PROGRAM 3 (NSP3). Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (NSP3) provides an additional \$1 billion for the Neighborhood Stabilization Program (NSP) that was originally established under the Housing and Economic Recovery Act of 2008. HUD will award grants to states and selected local governments to mitigate the negative impact of the nation's economic decline and housing market collapse and to stabilize

and revitalize communities/areas hit the hardest.

PROHIBITION OF THE USE OF EXCESSIVE FORCE. If the recipient is a local government, it shall adopt and enforce a policy to prohibit the use of excessive force by law enforcement agencies within their jurisdiction against any individuals engaged in nonviolent civil rights demonstrations and enforce state and local laws against physically barring entrance to or exit from a facility subject to nonviolent civil rights demonstration.

PUBLIC HEARING. If the applicant is a local government, it shall document with its application compliance with Section 104 of the Housing and Community Development Act of 1987. Non-government applicants shall supply evidence that the affected local government has been informed of and given opportunity to comment on the application.

RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN. Recipients of HOME or CDBG funds must complete a plan to minimize displacement and must replace all occupied and occupiable low-moderate income dwelling units demolished or converted to another use as a direct result of activities assisted with HOME or CDBG funds. This coverage applies to all units within a project, whether or not HOME or CDBG funds are specifically used on the subject unit(s). This is a contract condition for release of HOME or CDBG funds.

SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968, as amended. Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) ensures that employment and other economic opportunities generated by certain HUD financial assistance be directed to low- and very low income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

SECTION 504 OF THE REHABILITATION ACT OF 1973. No person, on the basis of physical or mental disability, shall be excluded from participation in, denied the benefits of or be subject to discrimination under any program or activity for which the recipient receives federal funds. See, <http://www.dol.gov/oasam/regs/statutes/sec504.htm>.

TITLE VIII OF THE CIVIL RIGHTS ACT. Provides protection from discriminatory housing practices based on race, color, religion, sex and national origin. The Fair Housing Amendments Act of 1988 expanded the scope of protection to prohibit discrimination against persons with disabilities and against families with children. Refer to <http://www.usdoj.gov/crt/housing/title8.htm> or <http://www.epa.gov/civilrights/titl8.htm> for further information.

UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITION POLICY ACT. Owners of real property to be acquired with federal funds shall be treated fairly and consistently to encourage and expedite acquisition by agreements with such owners and to minimize litigation and promote confidence in public and land acquisition. Persons who are displaced shall be treated fairly, consistently and equitably so they do not suffer disproportionate injury due to projects designed to benefit the public as a whole. For more information, please refer to <http://www.fhwa.dot.gov/legsregs/directives/fapg/cfr4924a.htm>.

MSHDA Office of Community Development HOUSING RESOURCE FUND SUMMARY
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T. TECHNICAL ASSISTANCE PROGRAM

Introduction

The Technical Assistance Program is designed to increase the capacity of nonprofit organizations and local units of government to produce affordable housing. This technical assistance is available for non-profit organizations and local units of government receiving or intending to apply for HOME, CDBG, NSP and/or MSHDA funds for affordable housing projects.

TECHNICAL ASSISTANCE CATEGORIES:

Technical Assistance is available to help with the following:

- Planning and Resource Development
- Board Governance
- Personnel / Administrative Management
- Financial Management
- Housing Development
- Portfolio / Asset Management

Planning & Resource Development

Housing Needs Assessments: Technical assistance funds are available (they must be matched by a local unit of government) to assist with assessing the overall housing needs of a local community. These funds may not pay for project-specific market studies. They are intended to help the local unit of government and their non-profit housing organizations more effectively plan and develop their housing strategies.

Strategic Thinking and Business Plans: Technical assistance can assist organizations as they review and update their mission, vision, and goals. Technical assistance can help organizations learn to think strategically, enabling them to react to changing circumstances as well as focus on long-term significant policy issues. TA can assist organizations in developing business plans that set goals and objectives for a three to five year period, and analyze the staff needed to implement proposed housing and community economic objectives.

Fund Development: Technical assistance can help organizations examine operating budgets, identify funding gaps, and explore potential sources of operating support. TA can help non-profit boards develop annual fund-raising plans to support operating and program expenses.

Board Governance

Technical assistance can help organizations evaluate their board's effectiveness. This can include examining the number of board members, whether the members are active or not, and whether the board has the appropriate committees in place to meet the needs of the organization. Technical assistance can help organizations develop an effective process to nominate and select new board members. Technical assistance can also help boards develop an effective process to orient new members to the organization's programs, finances, and board responsibilities.

Technical assistance is also available to help emerging non-profit housing organizations develop or revise Bylaws and Articles of Incorporation, as well as review of the necessary forms to obtain a 501(c)3, IRS tax-exempt standing and 990 or 1023 forms (technical assistance funds are not used to pay filing fees).

Personnel / Administrative Management

Personnel Policies: Technical assistance can be used to help organizations develop appropriate personnel policies and procedures. TA can help organizations develop an effective performance appraisal process for staff that includes review of performance standards, staff, and opportunities for skill development. Staff training needs can be identified and addressed.

Administrative Management: Technical Assistance is available to help local units of government and non-profit organizations improve their program design and administration. Training is available on HOME, CDBG, and NSP rules and regulations. Assistance can also be provided on issues such as CHDO monitoring procedures, IDIS, contractor recruitment, and other issues.

Financial Management

Technical assistance can be used to help set up and train on financial management systems. This includes budgeting and forecasting, record-keeping using a Chart of Accounts and a General Ledger system, understanding and using fund accounting and cost allocation, and establishing appropriate internal controls. TA can also assist in establishing appropriate financial reporting systems and teaching board members to understand and use financial statements and reports. TA can provide guidance and training on financial compliance issues, including payroll reporting, audits, and appropriate insurance coverage. Technical assistance is also available to provide guidance on the effective use of computers and software for financial management.

Housing Development

Real estate development process: Technical assistance can provide training in understanding all aspects of the development process, including underwriting single family and multifamily developments. TA can provide training in understanding types of financing, including HOME, CDBG, and both low income and historic tax credits.

Understanding the market: Technical assistance can provide training in understanding housing markets, including the concepts of ability to pay, willingness to pay, and sustainability. TA can provide training in understanding market studies.

Project design and feasibility: Technical assistance is available to provide guidance and training in developing specific housing project strategies and determining initial feasibility. This assistance can be tailored to the type of project, such as new construction, housing rehabilitation, transitional housing, etc. TA can provide guidance on site selection, acquisition, and obtaining land control. TA can help organizations develop preliminary site design and conceptual drawings, as well as estimate project costs. Assistance is available in developing and understanding development and operating proformas. Technical assistance can help an organization identify and assemble the development team. For new and emerging groups, legal consultation may be provided regarding land control, title work, and documentation review.

Construction management: Technical assistance can provide training and guidance in all aspects of construction management. This includes property inspections and design specifications, bid-letting, contractor recruitment and selection, the work write-up, preparing a project timeline, contractor management, construction oversight, and close-out.

***Note:** Expenses for specific projects should be included in project budget applications when submitted for financing. In addition, a Pre-Development Loan program is available for non-profit organizations developing specific projects that will be submitted for MSHDA financing.*

Portfolio / Asset Management

Technical assistance is available to provide guidance with portfolio/asset management policies and procedures needed to ensure the long-term viability of a project. Guidance is available to explore self-management versus contracted management of properties. Technical assistance can assist in establishing an appropriate policy for handling cash rent collections. TA can assist in the development of property-based budgets, as well as an appropriate preventive maintenance program.

MSHDA
Office of Community Development
HOUSING RESOURCE FUND SUMMARY

U. PRE-DEVELOPMENT LOAN PROGRAM

The Pre-Development Loan Program is designed to provide a readily accessible source of below market rate funds. These funds can help **nonprofit developers** pay for predevelopment 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/or the Low Income Housing Tax Credit Program). Projects can be rental or homebuyer.

Predevelopment Loans may be used to pay for market studies, consulting fees, preliminary architectural plans, site options, appraisals, surveys, soil tests, legal fees or application fees. Loans may not exceed customary project preparation costs. These loans may not be used to pay general staff or administrative costs, and all costs must relate to a specific project. For example, a pre-development loan can fund the time of an architect to develop a plan or the time a staff appraiser spends to produce an appraisal, but cannot be used to pay the general salary of the organization's Executive Director. Costs incurred prior to loan approval are not eligible.

The loan applicant must have a site or potential site(s), must have identified appropriate development team members, and must submit a preliminary development budget that includes proposed sources and uses for hard and soft costs.

Loans will be zero percent interest, and must be repaid from construction loan proceeds or other project income. The repayment requirement may be waived if there are impediments to project development that MSHDA determines are reasonably beyond the control of the borrower.

There are two types of pre-development loans. These are site control loans and pre-construction/seed money loans.

Site control loans (the feasibility determination stage) - may be used to cover costs necessary to determine project feasibility and implement steps toward gaining site control. Eligible activities include an initial feasibility study, consulting fees, costs of preliminary financial applications, legal fees, architectural fees, engineering fees, engagement of a development team, title clearance, and costs related to obtaining site options. Acquisition is an eligible expense – except in the case of projects where the only anticipated source of funding will be HOME funds, or where it can be reasonably anticipated there will not be sufficient non-HOME funds in the deal to repay the loan. General operational expenses of the nonprofit are not allowable costs.

Site-control loans can be used to meet **HOME environmental assessment requirements**. When HOME funds are anticipated to be part of the project financing, HOME environmental regulations need to be followed. HOME funded projects require an Environmental Review early

in the process, in particular **prior to land/site acquisition**. The Environmental Review must be completed in accordance with 24 CFR Part 58 of the Federal Register. (Note: a Level 1 or Phase 1 Environmental Site Assessment [ESA] review will *not* satisfy this requirement.)

There are certain activities that can be undertaken where a nonprofit does not need to publish a NOI/RROF, execute a certification, or submit a RROF to HUD or the State. Included in these activities are pre-development costs including legal, consulting, developer and other costs related to obtaining site options and project financing. Other eligible pre-development costs include administrative costs and fees for loan commitments, zoning approvals, and other related activities which do not have a physical impact. Pre-development loans can also be used to meet HOME environmental assessment requirements.

Site control loans must be matched on a 20% basis, cash or in-kind. (MSHDA will pay 80% and the group will be responsible for the other 20%).

Pre-construction/seed money loans cover pre-construction costs for a specific project. Pre-construction costs include but are not limited to: the costs of obtaining firm construction loan commitments; architectural plans and specifications; costs of zoning approvals and engineering studies; and legal fees.

To receive a seed money loan, the organization must have (a) site control, as evidenced by a deed, sales contract, or an option to acquire the property, (b) a preliminary financial commitment and (c) a capable development team. Again, general operational expenses of the nonprofit are not allowable costs.

MSHDA
Office of Community Development
HOUSING RESOURCE FUND SUMMARY

V. ACRONYMS

ADDI	American Dream Downpayment Initiative
ADR	Acquisition Development Resale, see Homebuyer Component section
AHP	Affordable Housing Program (FHLB)
AMI	Area Median Income, adjusted for family size
ARRA	American Recovery and Reinvestment Act, 2009 (includes NSP2)
BOCA	National Building Code
CAA	Community Action Agency
CAT	Community Assistance Team (MSHDA)
CBDO	Community Based Development Organization
CDBG	Community Development Block Grant
CDC	Community Development Corporation
CDFI	Community Development Financial Institution
CEDAM	Community and Economic Development Association of Michigan
CGO	CHDO General Operating
CHDO	Community Housing Development Organization
CIP	Community Investment Program (FHLB)
CN	Critical Needs
COC	Communities of Choice
CRA	Community Reinvestment Act (of 1977)
CSH	Corporation for Supportive Housing
CWHSSA	Contract Work Hours and Safety Standards Act
DBRA	Davis-Bacon and Related Acts
DCH	Department of Community Health
DDA	Downtown Development Authority
DELEG	Department of Energy, Labor and Economic Growth (formerly DLEG and CIS)
DEQ	Dept of Environmental Quality
DGM	Development Grant - MSHDA funds (homeless)
DHS	Department of Human Services
DID	Downtown Improvement District
DNR	Department of Natural Resources
DOE	US Department of Energy
DOL	Department of Labor
DPA	Down Payment Assistance
EC	Enterprise Community
ELI	Extremely Low Income
EZ	Empowerment Zone
FEMA	Federal Emergency Management Agency
FHA	Federal Housing Administration, result of 1934 Federal Housing Act
FHEO	Fair Housing and Equal Opportunity
FHLB	Federal Home Loan Bank (not Federal monies)
FLSA	Fair Labor Standards Act
FMR	Fair Market Rent
FNMA	Federal National Mortgage Association (Fannie Mae)
FOIA	Freedom of Information Act

FONSI	Finding of No Significant Impact
Freddie Mac	Federal Home Loan Mortgage Corporation
FSR	Financial Status Report (OCD)
FY	Fiscal Year
GAO	General Accounting Office
GNMA	Government National Mortgage Association (Ginnie Mae)
HAC	Housing Assistance Council (provides TA to rural self-help housing sponsors) ruralhome.org
HERA	Housing and Economic Recovery Act of 2008 (includes NSP1)
HOME	HOME Investment Partnership Program
HOPWA	Housing Opportunities for People With Aids
HPR	Homebuyer Purchase Rehab
HQS	Housing Quality Standards
HRF	Housing Resource Fund
HUD	US Department of Housing & Urban Development
HVP	Office of Housing Voucher Programs (MSHDA)
IDIS	Integrated Disbursement Information System
LDFA	Local Development Financing Authority
LI	Low Income
LIHEAP	Low Income Home Energy Assistance Program
LIHTC	Low Income Housing Tax Credit
LINKS	Links to Homeownership
LISC	Local Initiative Support Corporation (partner to support local agencies)
LLC	Limited Liability Corporation
LMI	low- and moderate-income persons
LP	Limited Partnership; Limited Partner
LTV	Loan to Value = Loan Amount divided by Appraised Value
MBE	Minority Business Enterprise
MCAH	Michigan Coalition Against Homelessness
MCC	Mortgage Credit Certificate
MCDDA	Michigan Community Development Directors Association
MDCR	Michigan Department of Civil Rights
MDFA	Michigan Downtown and Financing Association
MEDC	Michigan Economic Development Corp (CDBG)
MHPN	Michigan Historic Preservation Network, Inc.
MHRSN	Michigan Housing Rehabilitation Specialists Network
MPCB	Multi-Purpose Collaborative Bodies (now known as "Community Collaboratives")
MSCA	Michigan Small Communities Association
MSHDA	Michigan State Housing Development Authority

NEF	National Equity Fund
NEPA	National Environmental Policy Act OF 1969
NEZ	Neighborhood Enterprise Zone
NIMBY	"Not In My Back Yard"
NOFA	Notice of Funding Availability
NOI	Notice of Interest; Notice of Intent
NPP	Neighborhood Preservation Program
NSP	Neighborhood Stabilization Program
OCD	Office of Community Development
OIG	Office of the Inspector General (HUD)
OSA	Office of Services to the Aging
PI	Program Income
PILOT	Payment In Lieu of Taxes
PIP	Property Improvement Program
PITI	Principle, Interest, Taxes, Insurance
PJ	Participating Jurisdiction
PMI	Private Mortgage Insurance
PSA	Public Service Announcement
PSD	Principle Shopping District
QAP	Qualified Allocation Plan
RD	Rural Development, USDA
RHI	Rural Homelessness Initiative
RHP	Replacement Housing Program
RROF	Request for Release of Funds
RZ	Renaissance Zone
SEM	Southeast Michigan Development (MSHDA)
SEMCOG	Southeast Michigan Council of Governments
SER	State Emergency Relief
SHHI	Supporting Housing and Homeless Initiatives (MSHDA)
SHOP	Self Help Homeownership Opportunity Program (USDA, RD)
SHP	Supportive Housing Program (HUD)
SHPO	State Historic Preservation Office
SRO	Single Room Occupancy
TA	Technical Assistance
TBRA	Tenant Based Rental Assistance
TIFA	Tax Increment Financing Authority
URA	Urban Redevelopment Authority
USDA-RD	US Department of Agriculture - Rural Development
VLI	Very Low Income
WBE	Women Business Enterprise