

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT

SUBJECT: Guidance for MSHDA's Office of Community Development County Allocation Grantees Partnering with Local Habitat for Humanity Affiliates

Policy Bulletin #27

EFFECTIVE DATE: June 16, 2003

This policy is designed to propose a new way for OCD County Housing Allocation Grantees to work with Habitat affiliates to develop affordable housing. This policy

- Provides the history of the relationship between MSHDA and Habitat for Humanity of Michigan (HFHM)
- Proposes a method for County Allocation Programs to partner with Habitat
- Describes the results or outcomes MSHDA OCD expects and the guidelines for how to achieve them.
- Explains payback & lien requirements for CDBG/HOME funds

History of MSHDA/Habitat for Humanity of Michigan Funding Relationship

Since 1993 MSHDA has been working with HFHM to assist in the production of affordable housing for the lowest income homebuyers of our state. This relationship began with awards to various affiliates for partial funding of the homes they were building, and grew into an umbrella award to the HFHM to be provided at \$10,000 per home.

In 2000, the Governor announced that over the next three years, \$9 million of the Michigan Affordable Housing Fund (MAHF) would be awarded to Habitat. HFHM would use the fund to provide principal reduction assistance at \$10,000 per unit to MAHF eligible families who want to buy Habitat homes.

Proposal: County Allocation Grantees Could Help Habitat Affiliates With up to \$10,000

County Allocation Housing Program Administrators approached MSHDA OCD with a request to use County Allocation housing dollars to invest in HFHM housing projects. OCD discussed this proposal with HFHM and we both agreed with the concept. We saw several reasons why the \$10,000 per TANF eligible family under the Affordable Housing Fund needed to be supplemented. First, OCD and Habitat are both interested in seeing Habitat homes sited in community settings with existing infrastructure and services. This not only gives the family access to community and needed services, but (if landscaped and designed well) adds to the community. Finding sites in community settings adds to the cost of land, and adding landscaping and other amenities to help the home fit in to the neighborhood also adds to the overall cost of the home. In addition, costs for materials and trade labor have increased.

In light of this, MSHDA Office of Community Development and HFHM support the use of county allocation funds to supplement the MAHF funds available to Habitat affiliates. The CDBG or HOME funds could only be used to offset the cost of land acquisition and site preparation /improvement, and are limited to \$10,000 per house. Demolition, bulldozing, excavation, installing water/sewer lines, well or septic installation (but not both) can be done as site preparation. These funds are not considered leveraging toward homeowner rehab, since they are "homebuyer" not "homeowner rehab" activities.

The Grantee's budget line item for this activity would be Homebuyer DPA (down payment assistance) and would be used to write down the Habitat Mortgage by up to \$10,000 (to offset acquisition and site preparation/improvement costs).

Agreement With Local Habitat With Endorsement by HFHM

The County Housing Program should establish an Agreement with the local Habitat that is endorsed by HFHM before funding any Habitat projects. A sample Agreement is attached for your consideration. MSHDA recommends that legal counsel for the county review and approve any agreement used. Additionally, the Grantee must have the budget change approved in writing by MSHDA OCD before implementing the program locally.

Habitat for Humanity of Michigan has agreed to provide technical assistance to local habitats that receive these county funds to help assure that outcomes desired by HFHM & MSHDA are achieved.

Outcomes or Results and How to Achieve Them

The outcomes that MSHDA expects to invest in include:

- Safe, decent, attractive, affordable housing for those who, but for this program, would never be able to own a home and begin investing in their own future by building equity
- Habitat homes that are "sited" in *community settings (*where public water and/or sewer exists and where residents can walk to public services; e.g. schools, shopping, parks, jobs, etc.)
- Habitat homes that fit into the neighborhoods where they are placed (e.g. architecturally similar in design and appearance)
- Habitat homes with storage buildings for bikes, lawn mowers, etc. (if a garage is not available). Architecture of storage building should be consistent with design of the house

Guidelines:

- Build units in *community settings that are similar in design and appearance to newer built non-habitat homes in or near the neighborhood
- Make landscaping and other exterior design features that fit in with the rest of the neighborhood
- Provide a permanent storage building if a garage is not available. Garage must be provided where required by local building codes

Payback and Lien Requirements for Funds

The CDBG or HOME funds awarded to the homebuyer must be structured as a loan with a lien on the property. The loan can be paid back at 0% interest over the life of the Habitat loan, or structured as a deferred loan to be paid back at time of sale or transfer of property.

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

Attachment

A, Memorandum of Agreement