V. STRATEGIC PLAN

This section of the Consolidated Plan describes the state's goals and investment plans for addressing housing and community development needs for the five-year period July 1, 2010 through June 30, 2015. The first part of this section identifies the five overarching goals for the next five years. It analyzes the rationale for the strategies developed to address these goals and summarizes the resources that will be used in implementing these strategies. The second part of this section describes a number of issues surrounding the institutional structure for delivering affordable housing in the state; coordination between governmental, non-profit and for-profit agencies involved in providing housing assistance; linkages between low-income housing tax credits and other housing resources; and other relevant components of the overall Consolidated Plan.

A. HOUSING AND COMMUNITY DEVELOPMENT GOALS

Overview

If someone opened a newspaper or magazine over the last year, they probably read something about events that have proven to be pivotal to communities in Michigan—from the problems of the "Big Three" automakers to the foreclosure crisis that continues to inflict damage on Michigan's housing market. These ongoing issues, in addition to many others, signal the depth of Michigan's need for assistance in stabilizing its struggling neighborhoods. For much of the decade, Michigan has been the one state referred to by the phrase "the one state recession," and for good reason. A number of negative trends have combined here to an extent that is rarely seen in other states. Unlike areas beset with natural disasters, which occur suddenly with great impact, the economic storm that Michigan is enduring has continued for decades, with effects just as severe and widespread.

Michigan must use its resources to begin mitigating the effects of four factors – decline in manufacturing employment, elevated foreclosure rates, limited access to credit, and loss of population. In its urban areas, Michigan must address the over-supply of housing and begin to re-size its cities and re-position their neighborhoods for the economic recovery of Michigan. While the causes of the state's current situation are many, the result has been devastating for families and communities in a number of different contexts. The following section identifies four factors that have contributed to the decline, and how they interrelate.

Decline in Manufacturing Employment

The first of these factors, and probably the most important, is the decline in manufacturing employment that has taken place over the last 40 years, especially in the automotive industry. A large number of workers in Michigan are (or were) employed in this manufacturing sector, and historically Michigan has been closely associated with its development. However, as the industry started to falter in the 1970s, job losses started to mount. They have been particularly high over the last decade. Michigan has lost a total of approximately 182,000 jobs between 2003 and 2008 alone. Forty-eight percent of these, or about 88,000, were manufacturing jobs. Further, the transportation equipment manufacturing sector accounted for 60% of manufacturing

job loss. Other manufacturing sectors that have shed workers include the furniture and pharmaceutical industries, important in west Michigan.

While this has been a continuing trend, it has accelerated greatly over the last year, with the dramatic slowdown in auto sales and the bankruptcies of Chrysler, General Motors, Visteon and Lear. Since manufacturing work is generally a high-wage sector, these changes have led to lower incomes, higher rates of bankruptcy among affected households, and continued high rates of mortgage foreclosures in Michigan.

Elevated Foreclosure Rates

Elevated foreclosure rates are the second contributor to the decline of Michigan neighborhoods. The current housing crisis that has hit nationally has been present in Michigan since the third quarter of 2006, when data from RealtyTrac showed that the Detroit MSA had the largest amount of foreclosure activity nationally. In addition to income loss from unemployment, subprime lending was an important ingredient in Michigan foreclosures. As this type of lending tended to target minority populations which have historically had little access to credit (according to the Center for Responsible Lending's *A Snapshot of the Subprime Market*), much of the continuing fallout occurs in urban centers, especially the southeastern portion of the state.

The impacts of foreclosures on local housing markets in the state have been strong and stark, affecting property values, local tax bases, and the quality of life in many communities. One measure of this is the proportion of the average sales price to the median market value of housing. In Michigan, homes are currently selling for about half of what their value truly is. The volumes of sales in Michigan are generally low. Slow sales are due to a number of factors, including decreased buying power among consumers of housing, fear of moving into ownership due to job concerns, and issues in the credit market.

Access to Credit

Access to credit is the third major contributor to neighborhood decline. While the current crisis in foreclosures is a visible sign of the problem, inner city areas have historically been underserved by mortgage lenders. In part, this limited access to mainline sources of credit helped establish a high demand for more expensive, "predatory" loan products in the neighborhoods that make up the target geography.

Further, as sources of credit have tightened up as a result of recent lending practices and a relative shortage of credit capital to lend (in terms of the amount of money available to lend and heightened underwriting standards on loans), it has been more difficult for lower-income families to obtain mortgages.

Loss of Households and Population

The final contributing factor in the decline is the continued loss of households in Michigan. According to the 2008 ACS, Michigan households numbered about 3.8 million. Since 2000, the state's household count grew by only 0.6 percent, an increase far less robust than the country's seven percent.

These four factors (job loss, foreclosures, access to credit and out-migration of households) have all combined to create serious challenges for housing and community development in Michigan. Each tends to reinforce the others, creating circumstances that require strong, concerted and targeted efforts to rectify.

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

a. Analysis. Although a majority of Michigan households own their home, not everyone can afford to purchase and maintain a home nor does everyone aspire to become a homeowner. For these households, an adequate supply of affordable and accessible rental housing is essential not only to meet their basic housing needs but also to provide them with the ability to choose the community in which they wish to live.

According to the definitions used by the Bureau of the Census, any one of the following conditions creates a "housing need":

- Cost burden (housing costs exceeding 30 percent of income);
- Substandard housing (lacking adequate kitchen or plumbing facilities); or
- Overcrowded (more than one member of the household per room).

According to data from the U.S. Bureau of the Census, 2008 American Community Survey (ASC), 51.7 percent of all renter households in Michigan surveyed reported some form of housing need. Throughout the state, cost burden is by far the most common problem among households with housing needs. There are 483,219 low-income renter households in Michigan with housing problems.

Not surprisingly, lower-income households tend to have more housing problems-80 percent of renters making less than 30 percent of median income report housing problems; very low-income renter households and low income renter households accounted for 79 percent and 43 percent respectively.

Minority renters are the hardest-hit. Fully 60 percent of Black non-Hispanic households have housing problems (and about 55 percent of Hispanics), compared with 48 percent of whites. About 80 percent of Black non-Hispanic renter households earning less than 50 percent of median have a housing problem, as well as about 78 percent of Hispanic renter households with the same income level.

Based on the foregoing analysis, very low-income and extremely low-income renter households have been assigned a high priority during the next five years. Other low-income renter households have been assigned a medium priority.

b. Strategy Development. Market conditions throughout most of the state suggest that state and local housing programs during the next five years should emphasize rental assistance

In high cost areas, the demand for housing is stronger, and the private market is unable to serve the housing needs of those not able to exercise effective demand. New construction may also be warranted in areas where there is a lack of appropriate housing to meet identified housing needs. For example, multifamily rental housing may not exist in some markets where there is a need to meet the demand of the elderly. The construction of new housing may also be warranted as part of an overall program for economic development or neighborhood revitalization. Finally, new construction may be the most appropriate means of meeting housing need in areas that are experiencing population and economic growth, but where income levels are too low to permit the private market to provide the additional housing that is required.

Based on the foregoing analysis, rental assistance, rehabilitation, and, in compelling markets, new construction will be primary activities pursued by the state during the next five years under Goal 1.

c. Investment Plan. The state will endeavor to pursue the following programmatic resources during the next five years. The state, where feasible, may support applications for these programs and resources from eligible nonprofits and other entities when the application is not limited to such entities. However, when the state is also an eligible applicant, it may take the lead and apply directly for funding.

Program availability depends on the extent to which funds are authorized and appropriated. The five year projections contained in this report are simple estimates that assume a constant funding level for federal housing programs. Where appropriate, the state has provided specific budget information and goals based on funds available during the current fiscal year, and as more information becomes available regarding the structure and the funding levels of federal housing programs, the State will revise and update its five year projections to the extent required by the consolidated plan process.

i. Federal Resources. During the next year, MSHDA will allocate approximately seventy percent, projected to be $13.5 million of the State's HOME Investment Partnerships Program funds for the rehabilitation, preservation or new construction of affordable rental units through MSHDA's Rental Housing programs. These programs uses tax exempt MSHDA financing at reduced interest rates and the Low Income Housing Tax Credit. Assuming constant funding of the HOME for rental housing programs during the next five years, the state anticipates that approximately $45-50 million of its HOME program allocation will be used during FY10 through FY14 to support the development or rehabilitation of rental housing throughout targeted areas of the state.

From FY10-FY14, the state anticipates that approximately $15-20 million of HOME funds will be used to enhance the financing of affordable and accessible supportive rental housing and housing designed to accommodate the homeless, physically challenged, developmentally

disabled, and previously mentally ill adults. This program is more fully described under Goal 5 because of their linkage with supportive services. We will request matching funds when developments are located in local Participating Jurisdictions.

MSHDA anticipates that during the program year ending June 30, 2011, approximately $55 million in tax exempt financing will be made available for rental housing through its various lending programs, resulting in the development of over 800 rental units. MSHDA estimates that at least 10 percent of these units will be affordable to households earning 30 percent or less of area median income, that another 20 percent of the units will be affordable to households earning 50 percent of area median income, and that another 40 percent of the units will be affordable to households with incomes at 60 percent of area median income. For the period between FY10 and FY14, MSHDA estimates that over $500 million in tax exempt financing may be available to create more than 7,000 rental units, available to lower income households in the above-referenced ranges.

MSHDA also administers the Low Income Housing Tax Credit Program and projects to utilize approximately $20 million in 2010.This may be reduced to $12 million if the federal government again allows the monetization of up to 40% of the tax credit. If the monetization provision is passed MSHDA will monetize $8 million of the 2010 tax credit. Due to economic conditions identified in the overview it has become very difficult to find investment capital for the tax credits in Michigan. Consequently, fewer rental units are being developed through the assistance of the LIHTC. It is believed if the monetization of tax credits is continued for the period between FY10-FY14, the Authority would expect to expend over $40 million in monetized tax credits creating over 4,000 rental units.

MSHDA is a statewide housing agency with a portfolio of over 23,000 Section 8 rental assistance vouchers. MSHDA has allocated 2,000 slots for a statewide Family Self Sufficiency program. Twenty-seven service agencies assist MSHDA by providing FSS families with case management to move them towards self sufficiency.

ii. Private Resources. In the administration of state and federal funding, the state will continue to emphasize the leveraging of other funding to maximize limited resources.

For example, MSHDA anticipates the continued availability of conventional debt financing for rental housing in conjunction with the use of the Low Income Housing Tax Credit. MSHDA will continue to make taxable debt financing available, however, in situations where private financing is not available.

iii. State Resources. MSHDA anticipates that funding for various state and federal programs not covered by the Consolidated Plan but with substantial housing related activities will continue to be available during FY10. For example, the Michigan Department of Human Services (DHS) administers the TANF Program. Although the primary emphasis of these programs is income support, such support may also include housing assistance.

iv. Geographic Distribution. All of the state's resources directed toward Goal 1 are available statewide, with no specific geographic distribution. However, the usage of these resources must meet certain criteria, regulated by HUD or other federal funders.

v. Service Delivery and Management. The state intends to continue its current method of distributing resources through a variety of mechanisms, each best suited to the funding source or particular need being addressed. The state will continue to rely on its housing finance agency, the Michigan State Housing Development Authority, to deliver the majority of housing programs of the state, including those both federally and state funded.

MSHDA will be the major delivery mechanism for accomplishing Goal 1. The MSHDA bureaus responsible for these efforts in expanding the supply of affordable rental housing include:

Office of Community Development	Housing Resource Fund (1-24 unit projects)
Office of Multifamily Development	Tax-exempt, Taxable Bond, and associated HOME direct lending, Modified Pass Through tax-exempt bonds with private credit enhancement, 1602 and NSP1.
Office of Legal Affairs	LIHTC Allocation including available TCAP funding
Office of Existing Housing	Rental Assistance

In addition to the staff directly involved in the lending and administering of these rental housing resources, other Authority staff are involved in the ongoing management of rental housing developed by these resources. The Authority utilizes both contractual service employees and state employees to administer rental assistance throughout the state.

vi. Table of Programmatic Resources. The following table summarizes the programmatic resources that the state anticipates will be available to address the need for affordable housing. Program availability, however, depends on the extent to which funds are appropriated. Additionally, individual programs may be mandated to provide services to a particular population and may have eligibility criteria. Therefore, not every individual and family in need of assistance will be eligible for all programs.

PROGRAM	AGENCY	PROGRAM DESCRIPTION	TYPE	ELIGIBLE APPLICANTS
TANF	DHS	Provides financial assistance to families with children and the parent(s) or other caretaker with whom they are living, to help the family attain or retain the capacity for maximum self support and personal independence.	Fed/ State	Qualified families with children.
HOME Rental Housing Programs	MSHDA	Provides long-term mortgages for housing developments of 12-49 units new construction or up to 100 units for rehabilitation in targeted areas of the state. All units are targeted to incomes of 60 percent of area median or less.	State	Qualified nonprofits, consumer housing cooperatives, and limited dividend housing association limited partnerships.
Modified Pass Through Program	MSHDA	Provides mortgage loans for new construction or rehabilitation of rental units. Bonds are backed by credit enhancement provided by the developer.	State	Qualified nonprofit, consumer housing corporations, and limited dividend housing association limited partnerships.
Section 8 Existing Rent Allowance Program	MSHDA	Provides assistance to eligible individuals and families to pay their rent. Household income may not exceed 50 percent of area median income.	Federal	Eligibility based on income limits established by HUD.
Senior Citizen Rent Subsidy	Treasury	Provides a refundable tax credit up to $1,200 for seniors who use over 40% of their income for rent.	State	Senior citizens.
State Disability Assistance	DHS	Provides cash assistance for disabled persons.	State	Disabled persons not eligible for TANF or SDA.
Tax Exempt Direct Lending	MSHDA	Provides low interest mortgages for new construction of 50 to 150 rental unit developments. At least 40% of the units must be affordable to households at 60 percent of median or less.	State	Qualified nonprofit, consumer housing cooperatives, and limited dividend housing association limited partnerships.
Taxable Bond/Low Income Housing Tax Credit (LIHTC) Program	MSHDA	Provides mortgage loans in conjunction with the 9% LIHTC for new construction or substantial rehabilitation of rental developments.	State	Qualified nonprofit, consumer housing cooperatives, and limited dividend housing association limited partnerships.

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

a. Analysis. To assure that future generations of Michigan's citizens will continue to have an adequate supply of rental housing, the preservation of the existing affordable rental housing stock is another top priority of the Michigan Consolidated Plan.

According to data from the U.S. Bureau of the Census, 2008 American Community Survey, 52 percent of all renter households in Michigan surveyed reported some form of housing need. Of these households, very low-income individuals and families accounted for 77 percent of all renter households with a housing need, while other low-income and moderate-income individuals and families accounted for 17.5 percent and 5.3 percent respectively.

Throughout the state, cost burden is by far the most common problem among households with housing needs. There are 483,219 low-income households in Michigan with housing problems.

Not surprisingly, lower-income households tend to have more housing problems-80 percent of renters making less than 30 percent of median report housing problems. However, housing problems among elderly households earning less than 50 percent of median income is less than the general population

Among large renter households, however, housing problems are more likely compared to all Michigan households. 93 percent of large renter households earning less than 30% of median income report housing problems. 92 percent of these households earning between 30-50 percent median incomes have housing problems.

Among renter households with housing problems, minority renters are the hardest hit. Fully 60 percent of non-Hispanic households have housing problems (and about 55 percent of Hispanics), compared with 48 percent of whites. About 80 percent of Black non-Hispanic renter households earning less than 50 percent of median have a housing problem, as well as about 78 percent of Hispanic renter households with the same income level.

In addition to the need for affordable rental housing, it is expected that greater pressure will be exerted on converting the existing supply of assisted housing units over the next five years. More than half of the remaining subsidy contracts for many of the existing assisted housing units are scheduled to expire in the next few years. A majority of the units eligible for prepayment are located in the metropolitan areas of the state.

Based on the foregoing analysis, extremely low- and very low-income households have been assigned a high priority under Goal 2. Other low-income households have been assigned a medium priority.

b. Strategy Development. Market conditions throughout most of the state suggest that state and local housing programs should emphasize rehabilitation and preservation of the existing housing stock over new construction.

Preservation and rehabilitation will not by themselves solve Michigan's need for affordable housing, and there are a number of situations in which new construction may be the most appropriate means for developing affordable rental housing. In high cost areas, the demand for housing is stronger, and the private market is unable to serve the housing needs of those not able to exercise effective demand. New construction may also be warranted in areas where there is a lack of appropriate housing to meet identified housing needs. For example, multifamily rental housing may not exist in some markets where there is a need to meet the demand of the elderly. The construction of new housing may also be warranted as part of an overall program for economic development or neighborhood revitalization. Finally, new construction may be the most appropriate means of meeting housing need in areas that are experiencing population and economic growth, but where income levels are too low to permit the private market to provide the additional housing that is required.

Based on the foregoing, rehabilitation and preservation will be primary activities pursued by the state during the next 5 years under Goal 2. New construction will be a secondary activity used as a tool in specific market areas where the housing stock is not available for rehabilitation or is insufficient to meet the housing demand. .

Specific MSHDA programs will continue to support the improvement of housing in Michigan communities and neighborhoods. These programs are listed below, and/or in other sections of this Plan:

i. Neighborhood Preservation. Neighborhood stabilization and preservation funding is made available through MSHDA's Office of Community Development. This component of the Housing Resource Fund is designed to assist local efforts to comprehensively address neighborhood revitalization in geographically defined target areas. It is designed to maximize community impact by funding neighborhood improvement activities, including small- scale rental (1-24 units), in support of affordable housing in a targeted residential area to reverse patterns of disinvestment. Revitalization may occur through the use of infrastructure improvement, neighborhood beautification, demolition, and/or neighborhood marketing.

ii. Property Improvement Loans. From FY10-FY14 MSHDA's Office of Community Development expects to make approximately $5 million in Property Improvement Program (PIP) Loans available to owners of small scale affordable rental housing in communities throughout the state. PIP offers interest rates from four to eight percent for loans to improve the property; including energy conservation, accessibility modifications and the repair of hazards to health and safety.

iii. Technical Assistance. The Michigan State Housing Development Authority has administered a comprehensive technical assistance (TA) program since FY94 to assist the affordable housing endeavors of community-based organizations and local units of government (LOGs). MSHDA has a variety of loan and grant programs to finance the housing efforts of these nonprofits and LOGs. The purpose of MSHDA's TA program is to assign competent intermediaries and other consultants to nonprofits and LOGs in order to assist them in implementing neighborhood revitalization and administering housing loan and grant housing programs regardless of funding source.

MSHDA FY10 TA funding for will be approximately $500,000. In conjunction with MSHDA funded TA, the Authority also administers a HUD funded TA program that target groups using HOME funds. In FY10 MSHDA will administer $150,000 for HOME TA and $225,000 for CHDO TA. These funds will continue to build capacity of community-based groups and in their production of quality affordable units over the next few years.

iv. HOME Rental Rehabilitation Program (HPRP). MSHDA uses HOME funds to support moderate rehabilitation of affordable rental units through state recipients. Funding is offered through the Office of Community Development's Housing Resource Fund and Neighborhood Preservation Program. The HRRP is designed to help a local unit of government provide funding assistance to improve investor-owned property, especially in their downtowns. Rents are controlled and the rental units must remain affordable for five years.

v. Neighborhood Stabilization Program 1 and 2. MSHDA will use NSP funding to acquire foreclosed properties for rehabilitation or demolition, if blighted. Additional activities include the acquisition of vacant or abandoned buildings for rehabilitation or demolition with possible new construction in areas where market demand is sufficient.

c. Investment Plan. The state will endeavor to pursue the following programmatic resources during the next five years. The state, where feasible, may support applications for these programs and resources from eligible nonprofits and other entities when the application is not limited to such entities. However, when the state is also an eligible applicant, it may take the lead and apply directly for funding.

Program availability depends on the extent to which funds are authorized and appropriated. The five-year projections contained in this report are simple estimates that assume a constant funding level for federal housing programs. Where appropriate, the state has provided specific budget information and goals based on funds available during the current fiscal year, and as more information becomes available regarding the structure and the funding levels of federal housing programs, the State will revise and update its five year projections to the extent required by the consolidated plan process.

i. Federal Resources. The state will use several federal resources leveraged with resources from MSHDA in its efforts to improve and preserve Michigan's existing affordable housing stock and neighborhoods.

MSHDA will continue to fund the Office of Community Development's Housing Resource Fund (HRF), which provides funding for non-profits and local units of government for a variety of affordable housing and community development activities. Funding can be used for homebuyer assistance, homeowner assistance, neighborhood preservation, rental development of 1-24 units, and rental rehabilitation. The HRF will be funded at approximately a $4 million level in FY10. Funding is generally used to assist households at or below 80% of area median income, except for rental activities where funding is generally targeted to households at or below 60% of area median income.

The Michigan CDBG Program, administered by the Michigan Economic Development Corporation, has contracted with MSHDA to administer the housing program. The FY10 allocation for housing is projected to be approximately $8 million representing about 25 percent of the state's estimated FY10 CDBG allocation. These funds are used for county wide low-income homeowner rehabilitation programs and to fund the Office of Community Development's Housing Resource Fund. It is projected that 75 percent of the homes assisted will belong to households earning 50 percent or less of area median income; 100 percent of these units belong to households earning 80 percent or less of area median income.

The Michigan Department of Human Services (DHS) allocates the Department of Energy funds used for weatherization of the homes of low-income households. FY10 resources are anticipated to be approximately $325.4 million which includes the increased federal stimulus funding appropriated in 2009. During FY10, it is anticipated that over 6,000 homes will be weatherized through this program. Often the weatherization funds are used in conjunction with other rehabilitation programs, such as PIP and CDBG. Approximately 88 percent of the households assisted under the weatherization program are homeowners, and approximately 12 percent of the households assisted are renters.

The state devotes a variety of resources to the preservation of housing serving very low- and low-income households. Several of these resources have specific goals such as weatherization, which may not result in properties being brought up to Housing Quality Standards (HQS). MSHDA will continue to provide low cost home improvement financing by utilizing a network of lenders and communities who participate in the program throughout the state, with a priority to households, which do not meet minimum quality standards.

ii. Private Resources. In the administration of state and federal funding, the state will continue to encourage the leveraging of other funding to maximize limited resources. For example, MSHDA will provide PIP loans in conjunction with HRRP to qualified borrowers.

MSHDA has a policy regarding the preservation of Section 8 developments it has financed. The goal of this policy is to maintain the existing subsidized housing stock financed by MSHDA as a resource for low-income households for its remaining economic life, which is expected to extend well beyond the prepayment options of these loans. This policy will have the potential for preserving low-income housing into perpetuity and is expected to provide a resource for the continuation of worthwhile housing and support services delivered by nonprofit organizations.

MSHDA's Homeownership Division offers a single family loan which combines rehabilitation funding with a mortgage loan for acquisition. The loans are offered as a tool in assuring that affordable housing is preserved for low income use and that neighborhoods in need of revitalization have more financing resources. The loans are offered at a very affordable rate using Neighborhood Stabilization Funds.

iii. State Resources. MSHDA anticipates that funding for various state and federal programs not covered by the Consolidated Plan but with housing related activities will continue to be available during FY10. For example, the Michigan Department of Treasury administers

the Homestead Property Tax Credit and Special Assessment Deferment Program. Although these are primarily tax policies, they also make housing more affordable in the state.

iv. Geographic Distribution. The state's resources directed towards Goal 2 are available statewide with no specific geographic distribution.

v. Housing Delivery System. Effective renewal and preservation of housing stock in neighborhoods and communities statewide requires thoughtful strategic targeting of scarce resources to a competent community-based delivery system working in concert with local government.

In many communities, the cost of rehabilitating units exceeds their after-rehab value; this market factor has been the primary deterrent to continued maintenance, which has led to deterioration and abandonment. In these cases, public funds have a vital and unique role; when combined with the objective of providing affordable housing, HOME funds and other grant investments can contribute to the quality of life in a deteriorating neighborhood while providing an affordable housing unit at a low effective cost. These public funds serve as an essential catalyst to "jump-start" neighborhood investment.

Even if there were sufficient funding to address a majority of a neighborhood's housing needs, however, HOME and other public affordable housing resources are not appropriate sole sources for neighborhood revitalization. MSHDA prioritizes funding for communities where the investment is consistent with local planning, and where community residents are competently and thoughtfully investing funds to maximize other owner investment in the community.

These strategies have uncertain outcomes and take a long time to mature. Rehabilitated units impact on a relatively small neighborhood radius. But even where housing values do not generally rise to meet rehab costs, some public benefit is achieved. Community residents are renewed and re-committed to the future of their neighborhood, and they have renewed opportunity to impact on their own destiny.

As a result, MSHDA's community development efforts will be prioritized around viable communities, which provide workable plans for neighborhood preservation and revitalization, which seem likely to maximize other owner investment. MSHDA's competitive grant-making will include these elements as criteria in its consideration of funding decisions. Likewise, MSHDA's technical assistance will be oriented toward expanding the competence of nonprofits, especially community housing development organizations (CHDOs) and local units of government to implementing housing projects consistent with these goals.

vi. Service Delivery and Management. The state intends to continue its current method of distributing resources through a variety of mechanisms, each best suited to the funding source or particular need being addressed. The state will continue to rely on its housing finance agency, the Michigan State Housing Development Authority, to deliver the majority of housing programs for the state, including those both federally and state funded.

MSHDA is the primary agent for the delivery of state resources to accomplish Goal 2, with the exception of the DOE weatherization funds, which are administered by the Michigan

Department of Human Services. To accomplish this effort, MSHDA relies on various delivery mechanisms to offer the resources on a decentralized basis throughout the state. Local units of government provide both homeowner and rental rehabilitation loans and grants funded by CDBG, HOME, and MSHDA's PIP loan program, with MSHDA staff providing training and oversight nonprofit organizations, including Michigan Community Action Agencies (CAAs), provide weatherization and rehabilitation funds.

MSHDA divisions responsible for the various programs involved in Goal 2 include:

Office of Community Development	Housing Resource Fund CDBG Housing Program HOME Rental Rehabilitation Program) Property Improvement Loans Technical Assistance to Nonprofits and LOGs Property Improvement Program (PIP) Neighborhood Stabilization Program
Office of Asset Management	Flexible Subsidies MSHDA Preservation MSHDA Tenant Subsidies

vii. Table of Programmatic Resources. The following table summarizes the programmatic resources that the state anticipates will be available to address the need for affordable housing. Program availability, however, depends on the extent to which funds are appropriated. Additionally, individual programs may be mandated to provide services to a particular population and may have eligibility criteria. Therefore, not every individual and family in need of assistance will be eligible for all programs.

PROGRAM	AGENCY	PROGRAM DESCRIPTION	TYPE	ELIGIBLE APPLICANTS
Rental Rehabilitation	MSHDA	Forgivable loans will be provided for 75 percent of rehab amount, up to $14,999 per unit. All units must be affordable to households at 60 percent of median or less with at least 20 percent of the units affordable to households with incomes less than 50 percent of median.	Federal	Local units of government.
Home Heating Credit	Treasury	Provides a tax credit for low-income households based on income, number of exemptions, and actual home heating costs.	State/ Federal	Low-income households except ADC and GA recipients.
Homebuyer Purchase/Rehab (HPR)	MSHDA	Provides, in addition to Home Downpayment Assistance, funds for moderate rehabilitation after the low-income buyer purchases the home.	Federal	Nonprofits and local units of government.
Homestead Property Tax Credits	Treasury	Provides a refundable tax credit to homeowners with high property tax burdens.	State	No limitation; however, credit varies depending on age, veteran, disability, etc.
Low-Income Home Weatherization Program	DHS	Provides assistance for eligible households for energy conservation measures.	Federal	Community Action Agencies.
Michigan CDBG Program	MSHDA	CDBG funds are used by local units of government to provide loans and grants for the rehabilitation of single family and rental units serving low and moderate-income households and to make neighborhood improvements.	Federal	Small cities and non-urban counties.
Neighborhood Preservation	MSHDA	Provides financing for demolition, infrastructure, beautification and rehabilitation and/or new construction of 1-24 rental units or homeowner rehabilitation to revitalize targeted neighborhoods.	State	Communities and qualified nonprofit or for-profit housing corporations.
Property Improvement Program (PIP)	MSHDA	Provides low interest loans to owners of small-scale affordable rental housing loans to make permanent improvements to their properties.	State	Investor owners.
Special Assessment Deferment Program	Treasury	Permits deferral of special assessments for low-income seniors and totally and permanently disabled persons until they die or sell their home.	State	To qualify must have income under $13,000.

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

a. Analysis. Homeownership has been the ideal for generations of Americans and remains the dominant form of housing tenure for Michigan households. Michigan households have one of the highest rates of homeownership in the nation. In 2008, 74.1 percent of all Michigan households were homeowners. Michigan generally is considered to have affordable opportunities for homeownership, the overall proportion of owners among all households increased from 73.8 top 74.1 percent between 2000 and 2008. The rate of homeownership was 66.5 percent in the urban centers of the State and 78 percent in the exurban areas. In the rural areas, 79.4 percent of all households were homeowners.

Unfortunately, as indicated in the overview, Michigan is also one of the states hardest hit by foreclosures. According to the U. S. Department of Housing and Urban Development, about seven percent of all Michigan owner-occupied units with mortgages were in foreclosure in 2008. Other indicators of housing distress were also high. About five percent of all residential addresses were vacant for 90 days as of June 2008, according to the U. S. Postal Service. In addition, the picture for future foreclosures in the state was grim; about 26% of mortgages originated between 2004 and 2006 were what HUD identified as high-cost loans.

Many of the neighborhoods in the urban and exurban areas of the state contain a substantial supply of low priced single-family housing; however, there are a number of obstacles to using these resources to increase sustainable homeownership opportunities for low and very low-income households. First, many of these units are older and may not currently provide a quality homeownership opportunity. It remains difficult for low-income individuals and families to obtain the necessary financing for the major repairs and renovations that are frequently required for older housing.

Second, some neighborhoods in which these units are located may not provide safe and attractive environments. High foreclosure rates add to the disinvestment in the neighborhoods. Poor quality of public services may also be a detriment to investing in a home in these areas.

Third, there are issues related to the ability of very low- and low-income households to qualify for the purchase of a home. Even when the price of a home is modest, the purchaser most likely will have to qualify for some type of financing. The continuing housing crisis in our nation is making it even more difficult for very low and low income households to qualify for mortgage financing. The accumulation of a down payment and closing costs is also difficult for most very low- and low-income households. Serious credit problems also remain a barrier for many low-income households.

Fourth, many very low and low income owner households have suffered income loss from unemployment or underemployment and/or were targets of subprime lending leading to the threat of or actual foreclosure of their homes.

Finally, some very low-income households who already own their own homes lack the resources for repairs to keep their homes safe and habitable. This situation is faced in

segments of the population where homeownership is very high; senior citizens and rural families are two such groups.

Based on the foregoing analysis, existing homeowners of all categories and other low-income, first-time homebuyers have been assigned high or medium priority. Homeowners who are very low income (31 to 50 percent Median Family Income (MFI)) and first-time homebuyers who are low income (50 to 80 percent MFI have been assigned a high priority. Households with extremely low-income (0 to 30 percent MFI) have been assigned a medium priority.

b. Strategy Development. Market conditions throughout most of the state suggest that programs under Goal 3 should reduce the cost of homeownership to both potential and existing homeowners; consequently, acquisition, rehabilitation, and homebuyer assistance will be primary activities pursued by the State during the next 5 years under Goal 3. New construction will be a secondary activity.

The State has offered low-cost loans to low-income homebuyers since 1971 through MSHDA's Single Family Mortgage Loan Program. The Downpayment Assistance Program provides downpayment assistance on certain first mortgages through MSHDA's Homeownership Division. MSHDA's sales price and income eligibility guidelines apply. Property Improvement loans are offered with interest rates on a sliding scale, depending on income, to add energy conservation improvements, make the home more accessible, and/or repair hazards to health and safety. The Save the Dream Program is a toll free hotline that connects callers to a MSHDA certified foreclosure prevention counselor inn their area. The Homeownership Counseling Program provides pre-purchase homebuyer education, financial management, budget counseling, credit repair counseling, home maintenance training, pre-purchase home inspections and foreclosure prevention counseling.

c. Investment Plan. The state will endeavor to pursue the following programmatic resources during the next five years. The state, where feasible, may support applications for these programs and resources from eligible nonprofits and other entities when the application is not limited to such entities. However, when the state is also an eligible applicant, it may take the lead and apply directly for funding.

Program availability depends on the extent to which funds are authorized and appropriated. The five- year projections contained in this report are simple estimates that assume a constant funding level for federal housing programs. Where appropriate, the state has provided specific budget information and goals based on funds available during the current fiscal year, and as more information becomes available regarding the structure and the funding levels of federal housing programs, the State will revise and update its five year projections to the extent required by the consolidated plan process.

i. Federal Resources. The State of Michigan allocates a major portion of its volume cap for the operation of MSHDA's Single Family Mortgage loan programs. It is projected that $50 million will be used for Single Family mortgage loans in FY10. Over five years, MSHDA expects to provide over $275 million in Single Family mortgages. It is estimated that 80 percent of these funds will assist families with incomes less than 80 percent of the statewide median income.

The State allocated approximately $4 million of its estimated FY10 HOME funds for the Office of Community Development's Housing Resource Fund (HRF). The HRF can be used for a single family acquisition/development/resale program implemented by CHDOs, nonprofits, and state recipients. With these funds, local units of government and nonprofit organizations will be provided with the resources to acquire and rehabilitate or newly construct single-family housing for resale to low-income households or to develop purchase strategies to help low-income families qualify for financing within 2 years. Grants and no-interest loans may be used to make units affordable to families with incomes below 30 percent of area median. Nonprofits located within a HOME PJ are required to obtain a local match of their State HRF request. The Housing Resource Fund also provides for down payment assistance to low income homebuyers through a separate down payment assistance component administered by local nonprofits.

The State received $98 million in Neighborhood Stabilization Program1 funds in 2009 for the acquisition and rehabilitation of foreclosed, vacant or abandoned properties. MSHDA allocated approximately $32 million of these funds to local units of government and nonprofit organization to undertake eligible activities in neighborhoods hard hit by the foreclosure crisis. These activities will continue through FY13.

The State received $290 million in Neighborhood Stabilization Program 2 funds for the Michigan NSP2 Consortium. The Consortium members will use this funding in FY10-FY13 to alleviate blight, acquire and rehabilitate homes, and increase land bank capacity. Local governments bring their experience at implementing housing construction, rehab and demolition. Land banks bring their unique powers under Michigan's model state law, including the ability to acquire, hold, assemble and maintain property, Brownfield credit and tax-increment financing authority, and the ability to quiet title and hold property tax-free for future redevelopment in the public interest. As lead agency, MSHDA will conduct oversight and reporting activities, as well as help local partners build capacity to re-vision neighborhoods in the Michigan economy of the 21st Century.

On February 19, 2010, President Obama announced $1.5 billion in funding for innovative measures to help families in the states that have been hit the hardest by the aftermath of the housing bubble. Michigan has been selected as one of the five states to share in this investment with an award of $154.5 million.

Programs were crafted with the Michigan unemployed in mind due to 57.4% of the national delinquencies reflect job loss as reason for delinquency. These delinquencies spiral to foreclosures for many residents. Home sales are saturating the market and lenders are forced to sell properties at a significant loss thus impacting overall values in all regions. In order for Michigan to combat this crisis, MSHDA, with public input, created the Help for the Hardest Hit Program which allows families to stay in their homes, hence stopping the significant drop in values and encouraging growth in all regions

ii. Private Resources. In the administration of State and federal funding, the State will continue to encourage the leveraging of other funding to maximize limited resources.

MSHDA has an established Homeownership Counseling Network, an educational service providing information on all affordable home purchase options, financial literacy, foreclosure prevention counseling and credit repair counseling. The Network supports MSHDA programs, such as the single family mortgage loan, downpayment assistance and graduated purchase assistance programs. MSHDA has traditionally committed approximately $860,000 of its resources in support of the Homeownership Counseling Network however; due to ongoing foreclosure crisis that amount was increased to $8,148,000 in the 2009-2010 fiscal year. MSHDA received $192,297 from HUD Housing Counseling Assistance Program grant and $3,678,376 from National Foreclosure Mitigation Counseling Program grant in the 2009-2010 program year to support the Homeownership Counseling Network. If the federal government maintains its current support for affordable housing programs, including foreclosure prevention, MSHDA expects to continue to invest in homeownership counseling, providing $5,000,000 from FY10-14.

iii. MSHDA's Single Family Mortgage loans are available statewide through participating lenders. The Homeownership Counseling Network is also available statewide. The Housing Resource Fund is available statewide.

iv. Service Delivery and Management. The State intends to continue its current method of distributing resources through a variety of mechanisms, each best suited to the funding source or particular need being address. The State will continue to rely on its housing finance agency, the Michigan State Housing Development Authority, to deliver the majority of housing programs of the state, including those both federally and State funded.

For example, MSHDA contracts with 52 lenders with multiple statewide branches to deliver its Single Family Mortgage loans. MSHDA staff or contractors inspect homes prior to commitment and review all closing documents to assure income eligibility and underwriting criteria are met. The Homeownership Counseling Network covers most Michigan counties and is comprised of 75 agencies with 227 certified counselors.

MSHDA Office of Community Development staff is responsible for the training and monitoring of communities and nonprofits implementing the Housing Resource Fund components.

v. Table of Programmatic Resources. The following table summarizes the programmatic resources that the State anticipates will be available to address the need for affordable housing. Program availability, however, depends on the extent to which funds are appropriated. Additionally, individual programs may be mandated to provide services to a particular population and may have eligibility criteria. Therefore, not every individual and family in need of assistance will be eligible for all programs.

PROGRAM	AGENCY	PROGRAM DESCRIPTION	TYPE	ELIGIBLE APPLICANTS
NSP Acquisition/Rehab Homeownership Program	MSHDA	Provides loans to single family households for the acquisition and rehab of existing foreclosed homes. Household income may not exceed 120% AMI.	State	Family income below 120% AMI.
HOME Acquisition/Development/Resale	MSHDA	Grants and no-interest loans may be used to make units affordable to families with incomes below 80 percent of area median.	Federal	Community based organizations and local units of government.
Downpayment Assistance	MSHDA	Provides homeownership assistance of up to $5,000 per unit. All first-time homebuyers must have incomes of 80 percent of median or less.	State	Nonprofit organizations, local units of government, or lenders participating in MSHDA Single Family Mortgage Program.
HOME American Dream Downpayment Initiative	MSHDA	Provides homeownership assistance for first-time homebuyers through local Habitat for Humanity affiliates.	Federal	Habitat for Humanity affiliates.
Homebuyer Purchase/Rehab (HPR)	MSHDA	Provides, in addition to the Downpayment Assistance, funds for moderate rehabilitation after the low-income buyer purchases the home.	Federal	Nonprofits and local units of government.
Michigan Mortgage Credit Certificate Program (currently unfunded but possible within five year period)	MSHDA	Provides up to 20% federal income tax credit on mortgage interest. Household income may not exceed $56,650 annually. Primarily for first-time homebuyers.	State	Family income below $56,650, purchase price limits apply.
Single Family Mortgage Program	MSHDA	Provides low interest rate mortgages for new and existing houses, new single section mobile homes, and some condominiums. Household income must be under $56,650 for the purchase of a new home or existing home.	State	Family income below $56,650, purchase price limits apply.
Housing Choice Voucher (HCV) “Key to Own” Homeownership Program	MSHDA	Provides voucher subsidy to assist HCV household in qualifying for and purchasing their own home.	Federal	HCV families successfully participating in the Family Self-Sufficiency (FSS) Program.

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

a. Analysis. The ability to accurately estimate the number of homeless has increased dramatically with the implementation of the Homeless Management Information System (HMIS). The Michigan State Homeless Management Information System (MSHMIS) is a single database platform that provides an unduplicated count of homeless persons living in each region of Michigan. The system also measures patterns of service use and the effectiveness of the services delivered, providing the ability to assess progress across programs and regions. It was developed to improve consistency of reporting among Michigan's Continuum of Care (CoC) network and includes information from all the service organizations in each region, a total of 524 organizations statewide

Based on the 2009 Statewide Continuum of Care: Gaps Analysis, the state has an unmet need of 1,012 emergency shelter beds, 1,232 transitional housing units and 1,232 permanent supportive housing units for homeless individuals. Additionally, the state has an unmet need of 697 emergency shelter beds, 1,505 transitional housing units and 2,649 permanent supportive housing units for homeless families.

Research in Michigan and throughout the country has found that homelessness is not as much a condition or state of being as it is a symptom of more complex and intractable problems, including drug addiction, AIDS, unemployment or under employment and continued upward pressure on housing prices.

At this time it is clear that the nature of homelessness in our state is not very different than in other industrial states or that the prevailing research would suggest. Providing only for an impacted person's immediate need will do little to reduce their chance of being homeless in the future. Many homeless persons need more than shelter, and would gratefully repay society for this investment through their increased productivity. In addition to receiving shelter, clothing, food, and medical care, homeless persons must be supported in their efforts to live more independently. This support will have to take the form of an investment in permanent housing, training, counseling and direct services for longer periods of time.

b. Strategy Development. In Michigan, 83 counties are covered by the 60 Continuum of Care (CofCs) comprehensive 10-year plans to end homelessness. With Michigan State Housing Development Authority (MSHDA) technical assistance, these plans were developed by community-based coalitions of local stakeholders, including homeless service organizations, churches, the business community and local government. These plans and groups have been organized into regional councils to make certain that limited resources are put to the best use. MSHDA believes these local CofCs know best how to meet their own needs, with support and funding from State level agencies.

In addition, MSHDA has divided the state into eight regions; each region is represented by two Regional Representatives. The Regional Representatives meet monthly to share best practices in ending homelessness; in addition, representatives travel to other regions within the state to share best practices. MSHDA has three staff members, Homeless Assistance Specialists, who

are assigned to specific regions. The regional concept has successfully linked communities working to ending homelessness and has enhanced MSHDA's ability to provide technical assistance.

At the state level, the Campaign to End Homelessness Statewide Implementation Group (the Michigan CSIG) is actively involved in developing state level policies and procedures o support the local 10 year Plans to End Homelessness. Critical elements of our current and long-term strategy are:

1. Support efforts to continue to develop State-Level policy and strategies for ending chronic homelessness.

2. Develop collaborative models and cross-systems initiatives to increase linkages of housing to services and support.

3. Promote a Housing First approach through prevention and rapid re-housing activities.

4. Increase access to and expand supply of supportive housing.

5. Enhance local capacity for response.

6. Develop strategies for increasing access to and use of mainstream resources.

7. Improve strategies for data development, planning, and program evaluation.

8. Expand Training and Technical Assistance.

Given the large number of individuals and families who go in and out of homelessness every year and the need for supportive services in addition to permanent affordable housing, a high priority has been assigned to homeless individuals and families under Goal 4.

An underlying premise of the Statewide Continuum of Care is that temporary shelter beds address the symptom and not the underlying need. In order to successfully improve the condition of the homeless and to decrease the likelihood of recurring episodes of homelessness, it is necessary to provide extensive services in conjunction with rapid re-housing. Consequently, homelessness prevention and permanent housing providing support service components will be primary activities pursued by the state under Goal 4. Maintaining or expanding existing emergency shelter space will be a secondary activity.

c. Investment Plan. Homelessness is a complex problem, which needs a collaborative response that can best be achieved at both the state and local levels. The state alone cannot eliminate homelessness, nor guarantee that everyone in need of emergency shelter assistance will receive it. But by working in partnership with the private sector, local communities, and the federal government, the state can seek to assure that programs designed to assist individuals and families are effective and responsive to local needs.

With the availability of federal funds, state agencies have responded to the needs of the homeless in a variety of ways, developing programs for the prevention of homelessness,

emergency services, supportive services, and permanent housing. In addition, innovative programs, such as the Homeless Assistance Recovery Program (HARP), have been developed to expand the support to homeless individuals and families in securing permanent affordable housing. These programs blend a variety of funding sources with the expertise and experience of state agencies, for-profit and nonprofit developers, lenders, and communities.

During FY10-FY14, the state will continue its efforts to support existing emergency shelters and service providers with funds for critical needs, essential services, homeless prevention, rapid re-housing and operating expenses to maintain emergency shelter capacity adequate to meet the immediate needs of homeless individuals and families. Specifically, funds based partly on the demand for such support will again be targeted toward those facilities, which demonstrate the greatest need and capacity to efficiently utilize limited resources. At the same time, the state will actively look for ways to reduce the necessity for emergency shelter through the funding of transitional and permanent affordable housing, particularly as it relates to the linkage of housing with support services as described under Goal 5.

The state will also endeavor to pursue the following programmatic resources during the next five years. Program availability depends on the extent to which funds are authorized and appropriated. The five-year projections contained in this report are simple estimates that assume a constant funding level for federal housing programs. Where appropriate, the state has provided specific budget information and goals based on funds available during the current fiscal year, and as more information becomes available regarding the structure and the funding levels of federal housing programs, the State will revise and update its five year projections to the extent required by the consolidated plan process.

i. Federal Resources. The state anticipates receiving approximately $2.8 million of Stuart B. McKinney funds through the FY10 Emergency Shelter Grant (ESG). These funds will be awarded through an allocation process to local continuum of care collaborative bodies. Up to 30 percent of their allocation can be used to fund homelessness prevention activities. If Emergency Shelter Grant funding remains constant through FY10-FY14, the State would anticipate receiving over $14 million in ESG funds providing services for approximately 3,000 individuals, 1,800 families along with 500 beds.

ii. Private Resources. In the administration of state and federal funding, the state will continue to encourage the leveraging of other funding to maximize limited resources. The Authority has committed $5 million of its resources to provide additional funding for the ESG allocation process.

iii. Geographic Distribution. Homeless funds are available statewide.

iv. Service Delivery and Management. The state intends to continue its current method of distributing resources through an allocation process to local lead agencies designated by the CofCs. The state will continue to rely on its housing finance agency, the Michigan State Housing Development Authority, to deliver the majority of housing programs of the state, including those both federally and state funded.

The state's homeless shelter funding is administered by the Authority, in coordination with the Department of Human Services (DHS), which also has funding for emergency needs available through its county offices. MSHDA is the state's lead agency in convening and coordinating the efforts of the Michigan Statewide Continuum of Care. MSHDA provides key staffing, leadership, and administrative support for activities associated with the Michigan Homeless Assistance Advisory Board (MHAAB) and the statewide Continuum of Care process. The Director of the Michigan Homeless Assistance Advisory Board (MHAAB) serves as the Continuum Chair and Facilitator.

The lead entity in Michigan's Statewide Continuum of Care planning process is MHAAB. This Advisory Board includes representatives from most of the state's agencies and programs engaged in response to homeless populations, including, Housing, Mental Health, Education, Corrections, Veterans Affairs, Workforce Development, Family Independence Agency, HOPWA/AIDS, Homeless and Runaway Youth, Domestic Violence, and Substance Abuse. Other members include representatives from statewide advocacy organizations, non-profit and homeless service providers, non-profit housing development agencies, banking, foundations, media, consumers, and local government. MHAAB takes responsibility for all key elements of the Continuum of Care planning process. As such, this group: a) collects statewide needs data, b) inventories existing capacity and resources, c) analyzes resource gaps and needs, d) assesses and establishes homeless program priorities, e) develops short and long term strategies and action steps for ending chronic homelessness and addressing homelessness in general, f) conducts an annual project development and prioritization process, g) reviews and assesses the impact of existing homeless resources, programs, and initiatives, and h) facilitates the efforts of our statewide network of locally-based Continuum of Care planning bodies.

The division at MSHDA responsible for these homeless assistance programs is the Office of Rental Development and Homeless Initiatives.

v. Table of Programmatic Resources. The following table summarizes the programmatic resources that the state anticipates will be available to address the need for affordable housing. Program availability, however, depends on the extent to which funds are appropriated. Additionally, individual programs may be mandated to provide services to a particular population and may have eligibility criteria. Therefore, not every individual and family in need of assistance will be eligible for all programs.

PROGRAM	AGENCY	PROGRAM DESCRIPTION	TYPE	ELIGIBLE APPLICANTS
Adult Education for the Homeless	MDE	Provides assistance to state education agencies providing literacy training for adult homeless individuals.	State	
Critical Needs	MSHDA	Provides funding for critical or one-time needs of a shelter such as emergency rehabilitative services.	State	
Emergency Community Services Homeless Grant (ECSHG)	MDELEG	Provides follow-up and long-term service to enable the homeless to make the transition out of poverty.	Federal	Community Action Agencies.
Emergency Food & Shelter	FEMA	Provides food, shelter, and support services to homeless people, and makes basic repairs to existing shelters or feeding facilities.	Federal	
Emergency Needs for Veterans	MVTF	Provides temporary assistance to Michigan veterans including food, shelter, clothing, utilities and medical assistance.	State	
Emergency Shelter Grants Funds	MSHDA	Provides funding for physical rehabilitation of existing buildings, operating expenses for emergency shelters, homeless prevention, rapid re-housing and essential services.	Fed/ State	
Health Services for Homeless	DHS	Provides grants for health care delivery to homeless.	Federal	
Homeless Children and Youth	MDE	Provides funding to state education agencies to develop and implement programs for the education of homeless children.	State	
Homeless Chronically, Mentally Ill Veterans	DVA	Provides discretionary funding to VA Medical Centers to furnish treatment and rehabilitation services to eligible homeless veterans with a chronic mental illness.	Federal	
Homeless Veteran Reintegration	DELEG	Expedites the reintegration of homeless veterans into the work force by providing job training,	Federal	

Program		remedial education, basic literacy instruction, job counseling, referrals and other support services.		
Independent Living Services to Homeless and Runaway Youth	DHS	Provides services to homeless and runaway youth.	State	
Michigan Veterans Trust Fund	MVTF	Provides temporary emergency assistance grants for food, shelter, clothing, utilities, and medical assistance.	State	Honorably discharged veterans with a specified number of days active wartime service.
State Emergency Relief (SER)	DHS	Provides security deposits and first month=s rent, mortgage payments to prevent foreclosure, utility payments to prevent shutoff, and back rent to prevent homelessness.	State	Low-income households.
Veterans Domiciliary Care Medical Centers	DVA	Provides funding to convert surplus space in VA to beds for homeless veterans.	Federal	

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

a. Analysis. All citizens require housing that is safe, decent, and affordable. In addition, housing must be accessible.

The question of accessibility has a special impact on housing options for households with special needs such as the elderly, the frail elderly, persons with severe mental illnesses, the disabled, persons with HIV/AIDS, and persons with substance abuse problems. For these individuals and their families, accessibility can include availability, affordability, structural accessibility, accessibility in terms of location, and accessibility in terms of the range of supportive services that allows people to live as independently as possible.

i. Elderly persons. According to the 2008 American Community Survey, there were 819,292 "elderly households" in the state with owner occupants outnumbering renters by nearly 5 to 1. Some 32 percent, 317,989, of these "elderly households" were classified as having housing needs. The most significant housing problem for nearly all of these housing needy was one of affordability. The elderly are a significant and growing proportion of the State's population. In 2008, the number of households headed by a person 65 years or older statewide had increased from 780,014 in 2000 to 981,775 households.

Apart from the housing needs generally associated with very low and low-income households, elderly households may also experience difficulty in maintaining their homes. Older homeowners tend too have older homes than average, which contributes to the need for more expensive home repairs in this age group. The Michigan Office of Services to the Aging suggests that in addition to rental assistance or an increased supply of affordable housing, some elderly households may benefit from a range of supportive services that provide them with the opportunity to remain in their homes or apartments for as long as possible.

ii. Frail Elderly persons. The "frail elderly" are a subset of the total population of people who are elderly. They are often more in need of housing with supportive services because they have conditions associated with the aging process, which impair their ability to perform instrumental or other activities associated with daily living. The instrumental activities of daily living (IADL) include such things as managing money, shopping, using the telephone, preparing meals, light housekeeping, and getting around the community. Activities of daily living (ADL) include daily hygiene, dressing, eating, tilting, and moving from a bed to a chair.

One method for estimating the proportion of people who are elderly and "frail" is age based. Most agencies that deal with persons who are elderly consider 75 the defining age for the advent of conditions associated with frailty. Based on the 2005-2007 ACS data, Michigan has 459,830 frail elderly households, mostly homeowners. It has been determined that 100,000 of owner households in this group have housing problems. The incidence of problems increases dramatically in lower income cohorts; about 81 percent of households earning less than 30 percent of median income have housing problems. Among renter households, the extent of the problem is much greater; 54 percent of frail elderly households have housing problems.

There are currently a number of facilities that can serve the needs of the frail elderly. Licensed nursing homes in the state can accommodate just under 47,000 persons. About three-quarters of the beds are located in urban or exurban areas, while one-quarter are in the regional centers or rural areas of the state.

Homes for the Aged are a less intensive service facility offering room, board, and personal care for persons over the age of 60 years. Homes for the Aged in the state can accommodate 10,000 persons who are elderly and in need of personal care services. Just under 1,000 Home for the Aged beds are located in non-urban counties. There are Home for the Aged facilities in only 41 counties in the state. Three urban counties, Lapeer, Eaton, and Monroe, have no Home for the Aged facilities. Thirty-nine of the 58 non-metropolitan counties have no Home for the Aged facilities. The Michigan Family Independence Agency manages the cases of some 9,100 adults in foster care facilities across the state. It is estimated that 40 percent or approximately 3,600 are "geriatric clients."

Some private sector facilities have also been developed in recent years to serve persons who are elderly and in need of services. Because these facilities are not licensed, there is no reliable source of information on the size of the supply. Some are congregate facilities with meals and services included in the rent. The 1990 Census asked respondents to indicate whether the cost of meals was included in their rent. About 7,700 households in the state reported living in such a situation. Over 95 percent of the households reporting meals included in the rent lived in metropolitan counties. In fact, over half (54 percent) lived in Wayne, Oakland, or Macomb Counties. Unfortunately, this data was not updated in the 2000 Census.

Other facilities serving people who are elderly have meals and services available but do not include the cost in the rent. In these instances "elderly householders" may participate in the service package on an ala carte basis, often in response to current needs. It is not possible to quantify the number of units that are available, but it is reasonable to assume that, like congregate housing and other specialized facilities, they are concentrated in the metropolitan areas.

Some people who are frail and elderly are assisted in their own homes. This includes persons receiving Home Help Services through FIA, In-Home Services funded through the Office of Services to the Aging and their network of regional Area Agencies on Aging along with their contract providers and in-home services provided through the MI Choice-Home and Community based Waiver program.

iii. Persons with serious mental illness. Research indicates that at any one time 10 percent of the population experiences an emotional illness or disturbance. This estimate yields a potential adult population of over 600,000 persons in the state. This estimate includes persons whose distress does not interfere with the activities of daily living, to persons who are determined to be dangerous to themselves or others.

Persons with serious mental illness are generally of low income; 57% consumers with a mentally illness served by CMHSP in 2008 had incomes below $10,000. CMHSP's indicated

about 5,014 persons as residing in a homeless shelter or without permanent housing. Additional supportive housing as well as affordable housing is needed.

iv. Persons with developmental disabilities. The Michigan Developmental Disabilities Council (DDC) is organizationally housed in MDCH and is an advocacy group for the community of people with developmental disabilities. It advises the Governor and state agencies, negotiates with state agencies on behalf of its constituency, and builds capacity among public and private sector service providers. In these roles, it is a repository of information on the community of people with developmental disabilities.

According to DDC estimates that were derived from federal studies by Boggs and Henry and Gollay, as well as an analysis of prevalence rates, indicate there are between 150,000 and 176,000 non-institutionalized developmentally disabled persons -- persons with mental retardation, cerebral palsy, autism or epilepsy -- in the state. Between 100,000 and 125,000 are adults. It is estimated that 10 to 12 percent of the adults are 65 years of age or older.

Affordability and the assurance of support services is a major problem in securing independent housing to meet the needs of the people with developmental disabilities. Most are not employed, either full or part-time. In 2008, 64 percent of CMHSP consumers with developmental disabilities had incomes below $10,000 per year and only about 9% are employed.

In addition to the issue of affordability, however, there is also the need for housing that is both physically adequate and accessible so as to accommodate limitations imposed by the specific disability. The vulnerability of people with disabilities makes safety factors of the neighborhood in which the housing is located of particular importance as well.

v. Persons with acquired disabilities. An accepted estimate of the total number of persons with acquired handicaps in the state is based on the incidence of persons with such characteristics among the general population of the United States. It is estimated tat non-institutionalized persons with physical handicaps who have some degree of activity limitation account for 18.2 percent of the total national population. Use of this percentage would indicate that in 2000 there were over 1 million persons with physical disabilities in Michigan.

Of these persons who experience some degree of limitation, a little over one-quarter are unable to perform their major activity. This represents approximately 250,000 persons statewide. Orthopedic impairments are the major cause of activity limitations among the non-elderly. Two out of every 5 respondents with an acquired disability indicated at a Consumer Response Initiative Forum held in Michigan that they were in need of architectural modifications in their living setting.

The 2000 Census does provide some data on the number of persons among the working age population with a disability that affects their ability to work. While it can in no way be considered accurate to assume that a disability that affects the ability of a person to work translates into a disability that affects the ability of a person to live independently, there is a least some value in

noting a disability that has the potential to limit performance in the work place among the general population. The presence of a work disability is likely to result in a decreased earning potential that would have an impact on the ability of the person to find affordable housing.

According to the Census data, in 2000 the civilian non-institutionalized population of the state between the ages of 16 and 64 was just over 6 million. Of this sub-group 11 percent, about 678,000, identified themselves as having a work disability. Four out of 5 of the persons with a work disability lived in a metropolitan county. By definition, a work disability is not a temporary condition, but rather is a health condition, which has persisted for 6 months or more and has limited the kind or amount of work that the person can do. The term health condition includes both mental and physical conditions.

In addition to disabilities that interfered with the ability to work, the Census asked persons 16 to 64 if they had a medical condition that interfered with mobility or caused self-care impairment. Just under 134,000 persons indicated that they had a medical condition that affected mobility. About 1 in 7 of these persons lived in non-metropolitan areas. Some 185,000 persons indicated the presence of a health condition that impaired their ability to perform some activity of daily living. About 13 percent of these lived in non-metropolitan counties.

Another way to measure the number of persons who have a handicap that prevents them from securing affordable housing for independent living is to examine the number of persons who receive Supplemental Security Insurance (SSI) benefits because of a disability. SSI is available to persons who do not otherwise qualify for Social Security benefits. Because of the restrictions imposed on participation in the program, recipients of SSI have limited incomes, as well as limitations on assets. In order to receive SSI assistance based on disability, a person must be unable to secure substantial, gainful employment. That is, they are unable to find and maintain employment that will allow them to earn more than $500 a month. Their disability must also be considered permanent and not temporary. The receipt of benefits requires that a person be disabled for at least a year. While it is presumed that these persons are capable of living independently, the modest amount of the grant could be indicative of a housing need based on the criterion of affordability.

vi. Persons with substance abuse problems. Recent federal surveys indicate that about 1 out of 10 residents (about 837,000 persons) in Michigan, age 12 and older, are either dependent on or have abused alcohol or an illicit drug sometime during the past year. In 2008, the Sate recorded some 71,000 admissions to substance abuse treatment programs. For those admitted, alcohol is the drug of choice, accounting for 41.9 percent the total. Marijuana/hashish users was second with 19.3 percent, followed closely by cocaine use, including crack cocaine at 16.1 percent and heroin at 14.2 percent of those admitted for treatment. Other drugs, such as opiates, prescription drugs, hallucinogens and amphetamines each accounted for six percent or less of the total admissions.

vii. Persons with HIV/AIDS and related diseases. The 2009 Epidemiologic Profile of HIV/AIDS in Michigan, prepared by the Michigan Department of Community Health, estimates that there are

18,200 people living with HIV/AIDS in the state. This prevalence (total living cases, old and new combined) has been stable; however the drop in HIV related mortality requires that these estimates be re-evaluated. If HIV incidence (new cases) does not decrease then prevalence will increase since more infected persons are living longer.

Currently, persons with AIDS have lived in all counties in the state. The rate of new HIV diagnoses remained stable in Southeast Michigan (Wayne (including Detroit), Oakland, Macomb, Monroe, Lapeer, and St. Clair counties and in the rest of the state. Overall, about two-thirds of new diagnoses are among residents of Southeast Michigan and about one-third in the rest of the state.

Of the total number of persons with reported cases of AIDS, 77 percent are males. 59 percent are non-Hispanic blacks, while some 35 percent are non-Hispanic whites. Persons of Hispanic origin accounted for only 4 percent of the reported cases. Some 30 percent of all of the persons with reported cases of AIDS were between the ages of 30 and 39 when the report was made. 11 percent were between the ages of 18 and 29 and another 32 percent were between 40 and 49 years of age. 16 percent were over the age of 50.

Research suggests that individuals with AIDS and HIV need a continuum of care to meet their housing needs including (1) independent living with and without support services that are long term, (2) emergency shelters that are short term, (3) independent living with ongoing assistance including rental assistance and housekeeping, (4) congregate supportive living where residents are capable of most self-care, (5) congregate supervised living (often critical for drug treatment on a short term basis, or long term assisted living for persons with vision or ambulation problems, and some emotional/mental disorders and weakness), (6) critical care with 24 hours nursing home supervision, (7) step-down units where patients are medically stable but need sub-acute medical care and 24 hour supervision, and (8) hospice care.

Given the large need for supportive services in addition to permanent affordable housing, a high priority has been assigned to homeless individuals and families under Goal 5.

b. Strategy Development. The preceding analysis suggests that state and local programs should assist special needs populations, such as the elderly, and must emphasize persons with disabilities and substance abuse problems. For these individuals and their families, accessibility can include availability, affordability, structural accessibility, accessibility in terms of location, and accessibility in terms of the range of supportive services that allows people to live as independently as possible.

There are a number of facilities and services in the state for people with disabilities, developmental disabilities as well as acquired disabilities, and mental illnesses including:

- Independent Living Services: A Michigan Department of Human Services (DHS) program to restore or maintain independent living for people who are aged, blind, or have disabilities and receive SSI or Medicaid. Services are provided in the home setting. Services to people with physical disabilities are a part of this program, which provides for the purchase of home modifications and assistive devices.

- Adult Community Placement. A Michigan Department of Human Services (DHS) services program that helps persons who have functional impairments to access services that will allow them to live in residential settings other than their own homes. These residential facilities may include adult foster care, Homes for the Aged, and nursing homes.

- Adult Foster Care (ARC). Department of Energy, Labor and Economic development (DELEG) licenses, inspects, and provides oversight of adult foster care facilities for people who are aged. .

- State Licensed Hospitals and Hospitals with Psychiatric Inpatient Programs. There are four state licensed psychiatric hospitals with 893 residents. There are also sixty-four hospitals with psychiatric inpatient programs for persons with mental illness with a bed count of slightly over 2,000 in February 2010.

- General Nursing Homes. Privately owned nursing facilities are sometimes home to persons with developmental disabilities who also have physical impairments. About 2,000 persons with mental retardation and other physical disabilities are estimated to be living in nursing home facilities.

- Mental Health Services. Department of Community Health provides programs for community based behavioral and mental health services and supports to persons with mental illness, developmental disabilities and addictive disorders.

- MI Choice Home and Community Based Waivers. Serves persons who are 18 and older who have functional disabilities that are at the nursing home level of care.

c. Investment Plan. The question of accessibility has a special impact on housing options for households with special needs such as the elderly, the homeless, and people with disabilities. For these individuals and their families, accessibility can include availability, affordability, structural accessibility, accessibility in terms of location, and accessibility in terms of the range of supportive services that allow people to live as independently as possible.

The state will endeavor to pursue the following programmatic resources during the next five years. The state, where feasible, may support applications for these programs and resources from eligible nonprofits and other entities when the application is not limited to such entities. However, when the state is also an eligible applicant, it may take the lead and apply directly for funding.

Program availability depends on the extent to which funds are authorized and appropriated. The five- year projections contained in this report are simple estimates that assume a constant funding level for federal housing programs. Where appropriate, the state has provided specific budget information and goals based on funds available during the current fiscal year, and as more information becomes available regarding the structure and the funding levels of federal

housing programs, the State will revise and update its five year projections to the extent required by the consolidated plan process.

i. Federal Resources. MSHDA administers approximately 689 Section 8 project based vouchers. The vouchers will provide rental assistance to families participating with a supportive housing service provider. The rental assistance is linking housing assistance with supportive services for those most at risk, persons with disabilities and the homeless.

MSHDA administers 140 Section 8 Certificates/Vouchers in Oakland County; Allegan County; and Kalamazoo County under HUD's Mainstream Housing Opportunities for Persons with Disabilities Program (i.e., Mainstream Program). This program provides rental vouchers to enable persons with disabilities to rent affordable private housing of their choice. MSHDA has partnered with Community Mental Health agencies to assist individuals gain access to supportive services available within the community, identify public and private funding sources to assist participants cover the costs of modifications that need to be made to their units as a reasonable accommodation; provide technical assistance to owners for making reasonable accommodations or making units accessible. In addition, MSHDA has 944 families transitioning from rental assistance to homeownership through the Key to Own homeownership program. MSHDA applied for 100 Family Unification Program (FUP) vouchers with HUD award announcements expected in July 2010.

It is the state's intent to apply, or encourage and support the application by eligible applicants, for any transitional or permanent housing for the handicapped homeless or persons with AIDS or any successor McKinney programs which will expand the resources available to shelter individuals and families on a more semi-permanent or permanent basis.

Michigan's HOME Investment Partnership Program has allocated significant HOME funds for programs that develop linkages to assist persons requiring additional accommodation and/or supportive services, especially homeless individuals, families in transition, and persons with disabilities. These programs include:

The Supportive Housing Program. MSHDA will allocate approximately $4 million of Michigan's estimated FY10 HOME allocation to its Supportive Housing program to provide financing for supportive housing developments that serve persons who are homeless and/or have a special need.

- HOME Choice. The Home Choice program grew out of initial efforts by the Michigan Home Ownership Coalition beginning in 1995 to develop a pilot mortgage lending program in southeast Michigan for people with disabilities who do not meet traditional underwriting criteria. The Coalition includes people with disabilities and their advocates, local service providing agencies, service funders, banks, nonprofit housing agencies, and state agencies, including MSHDA and MDCH. Borrowers receive mortgages through local banks. Nonprofit service providers often assist borrowers in preparing for home ownership and selecting property to purchase. Fannie Mae purchases Home Choice loans, which are made by participating lenders. MSHDA provides down payment assistance. Support services are available through local service providers, often funded

through resources originating with the Department of Community Health. MSHDA has allocated approximately $200,000 of FY10 HOME funds for downpayment assistance for people with disabilities participating in this program.

ii. Private Resources. In the administration of state and federal funding, the state will continue to encourage the leveraging of other funding to maximize limited resources.

iii. State Resources. The Department of Community Health administers a federal grant under the McKinney funded PATH Program. These projects serve persons who are homeless and mentally ill by providing outreach and engagement, immediate housing support during crisis, case management services, and linkage to mental health and support services. A portion of the state funds is available through the MDCH Housing Assistance Fund to community mental health programs, which do not have a PATH Project in their area, to provide funds for immediate housing of eligible individuals in their area. FY08 funding for the PATH and the Housing Assistance Fund totaled $1.59 million.

iv. Geographic Distribution. The resources to address Goal 5 are generally available on a statewide basis, with the exception of the project based voucher rental assistance program, which are only available in selected target areas. The funding of HOME assisted projects in communities which receive direct HOME funding are subject to a match of the state's HOME funds by the local jurisdiction, except the CSH and MI HOME program which does not require a local match.

v. Service Delivery and Management. The state intends to continue its current method of distributing resources through a variety of mechanisms, each best suited to the funding source or particular need being addressed. The state will continue to rely on its housing finance agency, the Michigan State Housing Development Authority, to deliver the majority of housing programs of the state, including those both federally and state funded.

The Authority is the primary housing delivery mechanism for the various resources, but is working in close cooperation with the Michigan Department of Community Health in its administration of the Shelter Plus Care program and in the Supportive Housing Demonstration. Notices of the availability of additional federal resources in FY10 will be reviewed to determine the appropriate state agency to apply.

The various MSHDA bureaus responsible for the implementation of the other programs identified in the investment plan are:

Office of Existing Housing	Mainstream Housing
	Family Self Sufficiency
Office of Multifamily Development	Supportive Housing Program
Office of Homeownership	HOME Choice

vi. Table of Programmatic Resources. The following table summarizes the programmatic resources that the state anticipates will be available to address the need for affordable housing. Program availability, however, depends on the extent to which funds are appropriated. Additionally, individual programs may be mandated to provide services to a particular population and may have eligibility criteria. Therefore, not every individual and family in need of assistance will be eligible for all programs.

PROGRAM	AGENCY	PROGRAM DESCRIPTION	TYPE	ELIGIBLE APPLICANTS
Family Self-Sufficiency Program	HUD	Provides rental assistance to families participating in comprehensive job training, education, or other necessary services to lessen their dependence on public housing.	Federal	Any Housing Choice Voucher (HCV) participant is eligible.
HOME CHOICE	MSHDA	Provides downpayment assistance to persons with disabilities in the purchase of a home.	Federal	Income eligible persons with disabilities.
Mainstream Housing Opportunities for Persons with Disabilities	MSHDA	Targets 200 Section 8 certificates/vouchers to four Supportive Housing Demonstration sites to provide rental vouchers to enable persons with disabilities to rent affordable private housing of their choice.	Federal	Income eligible persons with disabilities.
Supportive Housing Rental Program	MSHDA	Provides financing for multi-family developments for persons who are homeless and/or special need..	Fed/ State	For-Profit and Nonprofit organizations.
PATH	MDCH	Provides assistance for outreach case management, mental health and substance abuse treatment and supportive housing for the homeless mentally ill.	State	
Shared Housing	MDCH/ OSA	Provides transitional housing for older persons where at least two unrelated persons share common areas but maintain separate sleeping and bath areas.	State	
Shelter Advisors	MDCH/ OSA	Employs older workers to provide localized information about services for energy assistance, housing, home safety and repair, chore services, legal assistance, visiting nurses and transportation.	State	Advisors must be at least 55 and be low income, and recipients of assistance can be any senior.
Shelter Plus Care	MDCH	Linkages between housing and service sectors.	Federal	
Supportive Housing Program	HUD	Provides permanent and transitional housing assistance in developing community-based, long-term housing and supportive services for projects	Federal	Shelters, Nonprofits, and PHA's.

		housing not more than eight handicapped people who are homeless and at risk of becoming homeless.		
Project Based Housing Vouchers for Permanent Housing	MSHDA	Development, expansion, and continual operation of permanent housing programs for persons most in need using project based housing choice vouchers.	Federal	

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

In response to priority community and economic development needs, the Michigan Consolidation Plan supports the overall goals of community development and planning programs by directing resource toward establishing a suitable living environment and expanding economic opportunities for low and moderate income people. Based on these overall goals, the state has identified a long-term programmatic objective and strategy for community development and economic development.

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

Under the Annual Action Plan, an Economic Development Infrastructure Program, Direct Assistance to Businesses. Rural Community Development, Farm to Food Development Grants Economic Development Planning Program, Downtown Development is proposed. It is anticipated that some 150 economic development grants will be funded annually under these various programs resulting in the creation or retention of 2,500 jobs.

b. Short Term Objectives:

- Expand and refine the provision of specialized technical assistance to eligible general purpose local governments.
- Strengthen the capacity of local governments to identify and develop project proposals, apply for grant funds, and effectively administer and implement approved grant projects.
- Work to ensure the timely obligation of grant funds to communities and assist communities to implement and complete approved projects in a timely manner.
- Provide assistance and work to ensure that communities comply with program requirements.
- Encourage eligible communities to participate in the program especially those communities that have not previously received funds.

B. COMMUNITY AND ECONOMIC DEVELOPMENT NEEDS

This is the State of Michigan's plan, which identifies the non-housing community and economic development needs in Michigan with emphasis on the State's small communities (nonentitlement jurisdictions). Attention is given to community development and economic development needs, missions/goals, short-term and long-term objectives, strategies, policies, and programs. This plan is for a period of five years.

Nonentitlement Jurisdiction Profile. Michigan's 2009 population was estimated to be 9.9 million. The population of entitlement areas amounted to 5.9 million or 59.6 percent of the total State population. The population in nonentitlement areas was 4 million or 40.4 percent. With a total state land area of 56,818 miles, the nonentitlement portion of the state contains 53,132 square miles or some 93.5 percent of the total land area. Michigan contains 1,883 general purpose local governments (83 counties, 279 cities, 275 villages, and 1,246 townships). Of the 1,883 local governments, 1,647 (87 percent) are located in nonentitlement jurisdictions. Of the 1,647 nonentitlement jurisdictions, 256 are classified as having 51% of the households with low and moderate income levels. Of the total population in nonentitlement areas, approximately 12 percent or 480,000 people are members of low and moderate income households.

Community Development Needs. In Michigan, as in many other states, there are high priorities and significant needs in both community development and economic development. Community development is primarily concerned with the physical, social, and organizational aspects of concentrations of people with in communities. The focus of this program is to strengthen and improve their quality of life. Physical needs are public infrastructure and facilities needs including: water and sewer facilities (sanitary and storm sewer lines, mains, and wastewater treatment, sewage treatment, and water filtration plants) streets, roads, and bridges, public facilities and buildings (police, fire, community centers, senior citizen centers, and other governmental services), utilities (gas, electric, and broadband service), dams, dikes and flood control facilities, parking facilities, sidewalks, lighting, malls, parks, playgrounds and other recreational facilities, and land acquisition for the facilities listed above.

For public infrastructure and facilities, there are two perspectives of needs. First, there are communities that lack particular public works or facilities. There are potential users, but no facilities presently exist in the area. There are other communities that have the needed public infrastructure, but the infrastructure is antiquated or deteriorated and badly in need of rehabilitation or replacement. All local communities have public works need that is not being addressed because of financial constraints and limited resources. Maintenance alone is a demanding and almost overwhelming job.

Only general estimates are available of the specific number of projects needed and the actual dollar magnitude of need. As current public infrastructure systems age and continue to deteriorate and growing communities continue to expand and develop, maintenance and replacement costs increase. Establishing equitable and appropriate public policies and program priorities becomes more important since the dollar magnitude of needs continues to increase compared to the stable or decreasing level of public funding resources available to meet those needs.

Economic Development Needs. Economic development continues to be a top priority in Michigan. Economic development has been defined as increases in real per capital income over an extended period of time resulting in a strengthened and improved quality of life. Economic development has also been defined as the maintenance and expansion of a community's economic base so it remains stable and diversified, operating at almost full capacity, has high value added, provides high quality jobs with very small levels of unemployment and underemployment, and has an increasing level of productivity as measured by increases in real gross product. The Michigan economy is moving from an industrial/manufacturing economy to a service economy that is more interdependent with the national economy, more sensitive to national economic trends, shifts, and cycles, and more global in terms of imports, exports, and product markets.

More demands are being placed for a higher quality work force with sufficient expertise and training to contribute and compete in the developing high technology and service based economy. Higher quality job training is becoming more important.

In determining the appropriate and effective role of state government in economic development, attention is usually given to the state as catalyst, promoter, fosterer, and expediter. As an agent encouraging economic development and growth of private sector business firms, the state also regulates and taxes businesses. In its role as economic development catalyst, there are three areas of emphasis including retaining and improving the economic base, promoting expansions, relocations, and new initiatives, and working with local governments, local economic development organizations and related entities in fostering local economic development initiatives.

The State's economic development goals are: (1) retain, expand, and attract good jobs; (2) continuously improve Michigan's business climate; and (3) grow Michigan Businesses for the future. The goal to retain, expand, and attract good jobs includes:

- Michigan continuing to be a national leader in the attraction and expansion of business facilities;
- Maintain the nation's largest business retention program and expand business attraction success rates;
- Propose and implement creative solutions to increasing the number of skilled workers; and
- Promote tourism by placing the state as a tourism point of destination and maximize the use of the State's Great Lakes asset.

The goals to improve Michigan's business climate include:

- Reduce State personal income taxes to provide a more attractive environment in which to recruit and retain executives and workers;

- Advocate and monitor State initiatives to deregulate the electric utility industry to provide more competitive rates for Michigan businesses; and
- Advocate and manage innovative economic incentives for business locations and expansions such as the Michigan Economic Growth Authority and Renaissance Zones.

The State of Michigan, the Michigan Strategic Fund, and the Michigan Economic Development Corporation (MEDC) envision a transformed Michigan economy; a State where 21st Century businesses will provide desirable jobs in emerging sectors of commerce; where Michigan's tradition of manufacturing and automotive engineering generate new opportunities to participate in the global economy; where educational standards of excellence support a sophisticated workforce; and where travel and tourism thrive. Priority will be given to projects that focus on the emerging sector-initial target clusters which include: alternative energy & fuels, life sciences, advanced manufacturing/transportation, and defense/homeland securities industries.

ESTIMATES OF INFRASTRUCTURE NEEDS

IN

MICHIGAN NONENTITLEMENT AREAS

Category$	(Billions)	Percentage
Transportation and Related Facilities	$7.4	28.4%
Water and Sewer Facilities	11	42.1%
Buildings and Facilities	7	26.8%
Other (Downtown Development, Recreation, Ports, Harbors)	0.7	2.7%
Total	$26.1	100.0%

Source: 2009 Michigan Infrastructure Report Card
American Society of Civil Engineers

C. INSTITUTIONAL STRUCTURE AND INTERGOVERNMENTAL COOPERATION

1. Description

a. Public Institutions

- **Michigan Department of Civil Rights.** This state agency is responsible for investigating complaints filed on the basis of discrimination by sex, race, religion, handicapped status, etc. Housing discrimination cases are a priority within the Department of Civil Rights.

- **Michigan Department of Energy, Labor and Economic Growth, Securities & Land Division.** A state consumer agency, this section of the Department of Consumer & Industry Services publishes both the condominium buyers and mobile home buyers and residents handbook regarding the law that governs condominium and mobile home developments in Michigan.

- **Michigan Department of Energy, Labor and Economic Growth, Financial Institutions Bureau.** The Financial Institutions Bureau regulates banks and other financial institutions in the state and investigates complaints of violations of the Civil Rights and Equal Credit Opportunity Acts by these institutions.

- **Michigan Department of Human Services, Financial Assistance Programs.** The DHS administers the TANF Program, an income assistance program. Targeted to low income families and seniors, this state agency also administers federal weatherization money through the local Community Action Agency program. It is responsible for monitoring performance and developing guidelines for the programs such as weatherization.

- **Michigan Department of Natural Resources and Environment.** The Michigan Department of Natural Resources and Environment is the state agency responsible for administering all tax delinquent property reverted to the state.

- **Michigan Department of Community Health.** The MDCH was created by Executive Order 1996-1 and consolidated the Departments of Public Health (including substance abuse services), Mental Health and the Medical Services Administration (Medicaid program). Subsequent Executive Orders transferred the Crime Victims Services Commission and the Office of Drug Control Policy as well. Through the mental health and substance abuse services component of MDCH, a network of local community mental health services programs and substance abuse services through local coordinating agencies are administered through contractual arrangements.

MDCH also houses the **Office of Services to the Aging (OSA**), the designated state agency on aging under the Older Americans Act which advocates for the elderly, performs research on their needs, and develops and oversees services for older adults statewide. In addition to housing, program areas include but are not limited to personal care, homemaker services, care management, senior center staffing, nutrition, legal services, long-term care ombudsman.

- **Michigan Department of Treasury.** The state financial agency that acts as the administering agency for both the Home Heating and Homestead Tax Credit. Such tax credits are offered to meet the needs of senior citizens and low income households.

- **Michigan State Housing Development Authority.** A housing finance agency that has many programs for low and moderate income people. Multifamily housing finance, single-family housing finance, and community development programs are part of the services that MSHDA provides. MSHDA specifically provides low-interest mortgage loans for new construction or rehabilitation, and administers federal income tax credits on mortgage interest, federal rental assistance, funds for improved neighborhood housing, and funds for homeless shelters.

- **Michigan State Police, Fire Marshal.** A public safety agency that serves the general public by administering and enforcing the fire safety code. It also provides information on fire safety and prevention for homeowners and renters.

- **Mobile Home Commission.** A public housing agency helping mobile home owners and residents by investigating complaints against mobile home dealerships, parks, and manufacturers. The agency regulates parks, licenses, permits, and publishes a handbook on the laws, which govern mobile home parks and residents in Michigan.

b. Intermediaries. Intermediaries are not-for-profit groups whose role is the nurturing of new public-private partnerships and the promotion of networking on the local, state, and national scene.

The intermediaries can facilitate business participation by screening projects, assembling other funding partners, providing technical assistance, and spreading out the investment risks. The on-going collaboration between nonprofit housing developers and the intermediaries is critical. The strategy proposed includes the centralization of housing funding resources and will provide a referral and networking capability.

i. National Intermediaries. The 3 most prominent intermediary players nationally are the Local Initiatives Support Corporation (LISC), Neighborhood Housing Services, and the Enterprise Foundation. These 3 intermediaries have played active roles in the development and coordination of partnerships. They have also provided grants, loans, and technical assistance that enabled the partnerships to utilize other sources of funding. LISC, through its National Equity Fund, has provided access for several nonprofits to a pool of corporate investments through the Low Income Housing Tax Credit.

In addition, Fannie Mae, the Federal Home Loan Bank, and Freddie Mac all provide low and moderate income housing initiatives. These initiatives offer a variety of financing options that allow the use of grants, interest reduction, tax credit, and subsidy to achieve affordable housing for rental and sale.

ii. State and Local Intermediaries. State and local intermediaries provide assistance to non-profit organizations throughout the state. For example, the Michigan Housing Coalition offers a networking system to nonprofit organizations interested in housing and sponsors a variety of training and coordinating activities.

In the larger urban areas of the state, notably Detroit, local intermediaries are active. The Detroit Neighborhood Investment Corporation and the Detroit Economic Growth Corporation both were created by the business community in Detroit to foster economic and housing development. The Detroit Economic Growth Corporation created Neighborhood Economic Development Strategies (NEDS) for 5 community organizations in Detroit. NEDS is a coordinated strategic planning process for each community with an ongoing implementation component.

c. Statewide nonprofit organizations and networks.

- **Michigan Housing Trust Fund.** The Michigan Housing Trust Fund is a private, nonprofit corporation created to aid in the production of affordable housing through loans and technical assistance.

- **Great Lakes Capital Fund for Housing.** The Michigan Capital Fund for Housing is a non-profit housing corporation that was formed in 1993 to raise and invest equity in affordable housing that is targeted to all or part of the following preferences: development in distressed areas, developments with non-profit ownership, projects less than 50 units, and projects that serve special needs populations.

- **Michigan Community Development Association.** Michigan Community Development Association (MCDA) meets regularly and has over 200 participating members and an active housing committee.

- **Michigan Coalition Against Domestic Violence.** The Michigan Coalition Against Domestic Violence is a private coalition that is responsible for policy reform on housing related issues for victims of domestic violence. It provides technical assistance and a resource library available to the victims.

- **Michigan Coalition of Shelter Providers.** The Michigan Coalition of Shelter Providers is a private agency, which acts as a network of emergency shelter providers throughout the state. The Coalition serves not only shelter providers but the general public as well and is responsible for providing additional resources to new shelters and staff.

- **Michigan Community Action Agency Association.** The Michigan Community Action Agency Association acts as a liaison between the legislature and local community action programs (CAP). It is also responsible for providing educational resources to the local CAPs so that they can better serve those in the community who have special needs.

- **Michigan Habitat for Humanity.** A nonprofit agency which receives most of its funding from individuals, churches, corporations, and other organizations in order to benefit low

income families and first time homeowners. As a Christian housing ministry, its goal is to eliminate poverty housing by building new houses.

- **Michigan Housing Coalition.** A nonprofit housing coalition, which serves the general public by providing advocacy for statewide housing issues. It also monitors housing programs and policies while acting as a resource network for organizations, individuals, and civic groups who assist with housing work. MHC offers a networking system to help nonprofit organizations interested in housing projects and sponsors training activities.

- **Michigan Legal Services.** A nonprofit legal agency, Michigan Legal Services provides legal assistance to low income individuals and families in the areas of housing, health, family, food and nutrition, and employment law.

- **Michigan Migrant Legal Assistance Project.** A nonprofit agency that provide legal assistance to migrant workers, including cases of housing discrimination.

- **Michigan Housing Rehabilitation Specialists Network (MHRSN).** The Michigan Housing Rehabilitation Specialist Network is an affiliate organization of the Michigan Community Development Association. The purpose of MHRNS is to provide networking and housing rehabilitation training opportunities to its members

- **Michigan Small Cities Association.** The Michigan Small Cities Association (MSCA) was formed in 1996 as a voluntary, grass roots organization of communities either receiving or eligible for CDBG or HOME funds from the State. MSCA became affiliated with the Michigan Community Development Directors Association (MCDDA) in 1998. The purpose of MSCA is to provide networking and training opportunities to its members and to work closely with funding organizations.

- **Sexual Assault Information Network of Michigan.** A public social service agency aimed at helping battered women and their children find shelter through the publication of its statewide directory. It also serves the needs of victims of domestic violence by providing information on various services available.

- **Michigan Community Economic Development Coalition**. A private organization that helps local community development groups by holding seminars and conferences on community development issues. It also aids local community development groups and provides technical assistance for organization and planning which will foster better economic conditions in the community.

- **Michigan Consumer's Council.** A private group, the Michigan Consumer's Council provides counseling to the general public regarding a variety of housing problems. It is also responsible for providing legislative analyses on housing and consumer issues as well as legislation.

- **Community Economic Development Association of Michigan**. The Community Economic Development Association of Michigan (CEDAM) is a private, nonprofit voluntary association of community development corporations (CDCs) and other

members interested in expanding community based housing and economic development in Michigan. It has over 100 organizational members.

- **Michigan Economics for Human Development.** Aimed at migrant workers and their families, this private financial agency operates housing developments for the elderly, handicapped, and farm workers as well as providing housing subsidies. This agency is also responsible for weatherization programs, the presentation of education workshops, and the provision of emergency assistance around the state.

- **Michigan Protection and Advocacy Service.** A private mental health agency that assists individuals with developmental disabilities and mental illness. The agency focuses on the needs of individuals with severe and chronic mental or physical handicaps by providing information, education, and legal assistance.

d. Private Industry.

- **Michigan Housing Council.** The Michigan Housing Council (MHC) is a membership organization of housing development professionals including attorneys, architects, management agents, builders, and developers involved in the production of low and moderate income housing. The Council was primarily formed to encourage legislative action sympathetic to the development of affordable housing for the residents of Michigan. MHC has worked closely with the Michigan State Housing Development Authority in developing and refining new programs and making existing programs more responsive to the needs of the low income housing development community.

e. Local Communities. The state works cooperatively with local jurisdictions to address local housing needs. Through a variety of federal and state programs, local units of government can provide homeowner rehabilitation assistance, rental rehabilitation, and targeted neighborhood revitalization.

i. CDBG Housing. Communities which are eligible under the Small Cities Community Development Block Grant program apply to the state for 2-year grants to administer housing rehabilitation programs which benefit low and moderate-income households. Many communities use the CDBG funds in conjunction with resources such as the Farmers Home Administration, a local community action agency, the Michigan Department of Human Services, or private funds to assure the maximum benefit and the broadest coverage of these federal funds. Communities which are entitled to receive CDBG funds directly from HUD are also major delivery mechanisms for housing rehabilitation and other programs that have a direct impact on the housing needs of low and moderate income households.

ii. HOME Rental Rehabilitation. Michigan communities can apply to the state's Housing Resource Fund through MSHDA's Office of Community Development for funding to improve investor owner properties. Many of the communities utilize MSHDA's Moderate Rehabilitation loan program in conjunction with their HRRP funds to address the rehabilitation needs of the rental stock serving low and moderate income households.

iii. Neighborhood Preservation. Neighborhood Preservation funding is made available through MSHDA"s Office of Community Development. This component of the Housing Resource Fund is designed to assist local efforts to comprehensively address neighborhood revitalization in geographically defined target areas. It is designed to maximize community impact by funding neighborhood improvement activities, including small scale rental (1-24 units), in support of affordable housing in a targeted residential area to reverse patterns of disinvestment. Revitalization may occur through the use of infrastructure improvement, neighborhood beautification, demolition, and/or neighborhood marketing.

v. Public Housing Authorities. There are 124 local Public Housing Commissions in the state that provide low income housing options through public housing or rental assistance to tenants of privately owned rental housing.

vi. Regional Planning Commissions. The state is divided into 14 regional planning areas, which are served by commissions. In addition to planning responsibilities, several of these commissions also provide technical assistance in the application for and administration of housing funds. This function is particularly useful in rural areas where local units of government often lack the staff or administrative capacity to operate housing programs.

2. Overcoming Gaps

a. Assessment. Presently, 11 state agencies administer over 50 different housing related programs; yet, despite their number, the types of assistance provided are relatively few in number. Each program, however, shares a common goal of reducing the cost of housing to the renter or owner occupant. The types of housing assistance provided through the state include:

- **Rental assistance programs** provide direct assistance or assistance in locating affordable housing to individuals and families to meet their immediate need for housing.
- **Interest rate subsidies**, such as those provided by the Michigan State Housing Development Authority through the sale of tax-exempt bonds, offer below market interest rates for homeownership, home improvements, and the new construction or rehabilitation of rental housing through the sale of tax-exempt bonds.
- **Tax Subsidies**, such as the Homestead Property Tax Credit, the Low Income Tax Credit, or the Home Heating Tax Credit, help to ease the cost of housing for both owners and renters.
- **Grant and loan programs**, like those offered by the Michigan State Housing Development Authority, provide direct assistance to nonprofit developers working to improve their neighborhoods.

The existing institutional structure for the development of affordable housing in Michigan is a loosely knit network of governmental agencies, nonprofit community organizations, and private sector representatives that are fully capable of meeting the goals of the Michigan Consolidated Plan strategy.

The strengths of these institutions, collectively and separately, outweigh any weakness they may have. There are, however, a number of areas, which must be strengthened during the next year to assure that the affordable housing delivery system within the entitled areas remains as strong as it needs to be to respond to present and future housing needs.

First, there must be continued coordination and cooperation among state agencies in developing solutions to Michigan's need for affordable housing. State agencies need to work more closely with each other to understand how programs and administrative functions may overlap and to recommend changes that will not only make programs more efficient but that may also increase the amount of funding for program activities by reducing administrative overhead.

Second, there must be greater coordination and communication between state agencies, nonprofit community organizations, and the private sector. During the last 5 years, financial institutions, private for-profit developers, and nonprofit organizations have taken an active role in developing affordable housing opportunities in their communities and have much to contribute in developing solutions to the state's need for affordable housing.

Lastly, there must be a continued recognition of the role that nonprofit housing developers can play in developing affordable housing opportunities for extremely low income individuals and families, and efforts must be made to strengthen the capacity of such organizations and to encourage their development where they do not already exist.

b. Strategy to Overcome Gaps. The state will continue to work to assure that there is greater coordination and communication between state agencies, nonprofit community organizations, and the private sector. MSHDA has developed a variety of informational resources providing technical assistance for Michigan non-profit and local units of government. Additionally, MSHDA will work closely with the twelve cities and seven land banks that make up the Michigan NSP2 Consortium; providing an on-going communication flow regarding housing and community development needs in our largest and/or most challenged urban centers. MSHDA has conducted numerous workshops regarding state and federal housing programs through its technical assistance program and on-going program outreach. It is anticipated that such efforts will continue during the next five years.

D. LOW INCOME HOUSING TAX CREDIT

MSHDA administers both the Low-Income Housing Tax Credit (LIHTC) and the HOME Investment Partnership program. Section III of this report details those areas in which the Authority has integrated the LIHTC with other Authority programs to meet the housing needs reflected in the Michigan Consolidated Plan.

E. PUBLIC HOUSING

1. Management Initiatives

The state does not own or operate public housing in Michigan; consequently, no initiatives are planned in this area during this five year plan cycle..

2. Homeownership

Although the state does not own or operate public housing in Michigan, the state is actively working to study and promote resident initiatives through the work of the Michigan State Housing Development Authority.

3. Troubled Public Housing Authorities

Although the state does not own or operate public housing in Michigan, the state will work collaboratively with those public housing authorities that are 1) located in non-entitled areas of the state and 2) are determined to be troubled by the U.S. Department of Housing and Urban Development. Local, troubled public housing authorities may apply for the Michigan State Housing Development Authority's financial and technical assistance programs through its regular funding cycles. Proposals meeting the eligibility criteria will be give every consideration for funding.

F. MONITORING STANDARDS AND PROCEDURES

Monitoring will occur in several different ways. Although, the State will be responsible for managing the day-to-day operations of its HOME, CDBG, ESG and HOPWA programs, local governments who operate such programs as rental rehabilitation, neighborhood preservation and homeownership type programs while using HOME and/or CDBG funds will be required to monitor these projects in accordance with Federal rules and regulations. Likewise, non-profits or local units of government operating ESG grants will be held to federal rules and regulations.

Most of the programs addressed by the Consolidated Plan are currently monitored through the various funding mechanisms already in place and often mandated by federal laws and regulations, which include but are not limited to the A 133 audits, meeting of CDBG National Objectives and verification of program benefits, Prevailing Wage/Davis Bacon provisions, Relocation Act, if applicable, including project administration and all other applicable local, State and Federal rules and regulations. The time frames for these programs are also similarly determined by the funding sources and market demand. Specific monitoring by program is described below.

HOME and CDBG Housing

MSHDA's Office of Community Development (OCD) ensures that HOME and CDBG grant funds are committed and expended in accordance with federal administrative and program requirements by implementing an annual monitoring plan that identifies annual monitoring objectives, improves monitoring procedures, and develops criteria for on-site monitoring of program participants. This annual monitoring plan serves as a strategy for determining compliance as well as guidance for OCD monitoring staff.

OCD's monitoring objectives are to ensure accountability, respond to community needs and use resources efficiently and effectively. To ensure that all grantees meet these objectives, OCD monitors 1) program results/community impacts, 2) the timely expenditure of program funds, 3) program and administrative compliance, and 4) grantee capacity. Monitoring activities is conducted primarily through an on-line electronic grant management system and on-site monitoring visits.

Monitoring Strategy. The monitoring strategy employed by grant management staff include performing a risk assessment on every active grant to determine the level of monitoring (either on-going or on-site), developing a monitoring schedule, conducting monitoring reviews and following up on concerns and/or findings.

Grantee risk assessments and determinations of the level of grant monitoring are undertaken using the following criteria: experience, change in strategy/activities, program complexity, unresolved past findings/issues, current issues, other special considerations. Every active grant is monitored each year—either on-site or ongoing. Every grantee, regardless of risk, is monitored on-site at least every third year.

On-going Monitoring. Ongoing monitoring reviews are built into OCD's service delivery system and occur every year on open grants that are not being monitored on-site. Grant managers

monitor program progress and performance, compliance, and financial management on an ongoing basis on OCD's interactive internet grant management system (OPAL). Grantees use OPAL to report the following for each project/activity:

- Set-up with financial pro-forma
- Financial Status to request grant payments and report expenditure details
- Leverage Funds Summary
- Program Income Summary
- Project Completion Report of total project costs, household demographics and contractor data.
- Corporate information: Audits, Articles of Incorporation, Bylaws, Board of Director Membership, IRS 990's, etc.

An on-going monitoring review is documented when the Grant Review checklist is completed and relevant information entered into the OPAL system.

1. On-Site Monitoring. On-site monitoring visits are documented using the Grant Review checklist, the On-Site Monitoring Review checklist (patterned after HUD's CPD Monitoring Handbook) and OPAL.

Sanctions. Sanctions are typically administered in the form of postponement or reduction to grant awards, or recaptured of grant funds. Cases where OCD staff is unsuccessful in the recovery of grant dollars are referred to MSHDA's Legal Division.

The Office of Rental Development and Homeless Initiatives (RDHI) provides HOME funding for tenant based rental assistance through formal grant agreements with supportive service agencies.

On-Site Monitoring. Each agency is monitored annually which includes file audits and selected physical inspections of assisted tenants housing unit. TBRA files are monitored to ensure accurate and up-to-date resident income and eligibility compliance and compliance with MSHDA statutory requirements and HUD rules and regulations. Physical inspections are conducted on a select number of tenants housing to ensure the unit meets MSHDA's housing quality standards.

The monitored agency is provided with a formal monitoring review letter. The agency is given three weeks to address all findings. If satisfactory remediation does not occur in a timely manner, further grant disbursements are withheld until findings are addressed. If necessary, the agency would be sanctioned by terminating the grant and prohibiting future participation in MSHDA programs until all findings are resolved.

On-Going Monitoring. Ongoing monitoring reviews are built into RDHI's service delivery system. Grant managers monitor program progress and performance, compliance, and

financial management on an ongoing basis using RDHI's interactive internet grant management system Homeless Assistance Links On-line (HALO).

ESG

MSHDA's Office of Rental Development and Homeless Initiatives (RDHI) administers the ESG program, funded by HUD and MSHDA. Annual on-site monitoring reviews are scheduled for 1/3 of all ESG grants, with priority given to federally funded grants and grants over $100,000. At the end of 3 years, all agencies will have been monitored. These reviews are completed to ensure compliance with programs and applicable MSHDA and HUD rules and regulations.

Physical inspections are completed at the time of monitoring if the agency has a shelter or shelters. Inspections are completed to ensure that shelter standards are met for proper maintenance, safety and sanitary conditions.

Housing Assistance Specialists do on-going desk monitoring throughout the grant year from April 1st through March 31st, using Homeless Assistance Links On-line (HALO). Monitoring includes oversight of project results and timely expenditure of funds.

If fraud or abuse is suspected or non-compliance is found during the monitoring, further investigation is done by MSHDA staff. Sanctions may be imposed and include suspension from participation in future grant rounds and/or having funds recaptured by MSHDA.

CDBG Economic Development

The Michigan Economic Development Corporation (MEDC) implements the CDBG Economic Development programs. MEDC/ CDBG staff provides on-site monitoring for all construction related projects to verify program and federal labor standards compliance. Formal grant agreements are executed with each CDBG recipient. Each grant agreement is personally provided to the grantee community by the respective CDBG staff and a checklist is reviewed to insure all requirements for the grant are explicitly understood. For all CDBG funded projects with job creation actual job creation is verified monthly during the project timeline which includes the submission of *Income Certification* forms signed by the employee and payroll documentation. Additionally, CDBG staff aggressively monitors semi and annual progress reports and audits submitted by the communities to further evaluate project and program compliance. Prior to issuing any final agreement reimbursement, additional review of all compliance items are made by staff to remediate any outstanding issues and to insure 100% compliance before close out of the grant.

MEDC ensures long-term compliance with program and comprehensive planning requirements with an in-place internal coordinated process for the evaluation of all CDBG projects. This evaluation is based on both MEDC's strategic plan for economic development which includes targeted industry sectors and communities based on low/mod and other economic factors. The internal teams place each project request through a rigorous vetting process to insure that each CDBG investment will have a significant impact on the respective communities and businesses. MEDC utilizes a three tiered approach for all CDBG projects: tier one involves the identification of eligible projects by the business development or community assistance teams; tier two

involves the rigorous scoping of those projects by the packaging team who are very knowledgeable on all applicable incentive options provided by the agency to insure the request incentive meets applicable federal and or state requirements; tier three involves the final assessment by the CDBG staff with a recommendation to the Michigan Strategic Fund board for funding approval.

HOPWA

HOPWA is administered by the Michigan Department of Community Health (MDCH).

On-Going Monitoring. MDCH monitors program and project results through tracking sheets. HOPWA project sponsors are required to have a formal tracking sheet for Short Term Rent, Mortgage and Utilities (STRMU) and for Tenant Based Rental Assistance (TBRA). The tracking sheet also tracks permanent housing placement. Staff reviews each tracking sheets for compliance with and achievement of program/project results. Additionally MDCH staff provides the project sponsors with annual group technical assistance regarding improving program outcomes. Project sponsors are also required to submit monthly *Financial Status Reports* to MDCH. Staff reviews and provides technical assistance if expenditures are not timely. MDCH also keeps the HUD required *Conflict of Interest Form* on file for all project sponsors.

On-Site Monitoring. Project sponsors are monitored at least once a year to ensure long-term compliance with program requirements. The items included in monitoring reviews are:

- Housing assessments, household income and number in household
- Adequacy of STRMU tracking
- Assuring accuracy of HUD CAPER data
- Assuring time sheets are accurately kept
- Assuring plan is in place for meeting project outcomes
- Assuring regulations on participant eligibility and the activity are met
- Assuring contract requirements are met
- Assuring tenant pay portion is accurate for TBRA
- Assuring housing habitability standards are met
- Assuring records are maintained for four years
- Assuring adequate financial and program records are kept
- Assuring tracking on program income and adequate documentation of expenditures

If compliance issues are noted, the project sponsors are notified of the deficiencies and given a reasonable time to remedy the finding. If the non-compliance issues are not resolved, sanctions

may be taken including withholding of further payments. If corrections to audit findings are not provided in a timely fashion, the contract with the project sponsor will, when necessary, be terminated.

G. ANTIPOVERTY STRATEGY

Michigan's anti-poverty strategy has two major components 1) welfare reform and 2) economic development. MSHDA has worked with the Michigan Department of Human Services (DHS) and the Michigan Department of Community Health (DCH) to restructure linkages between the affordable housing, social, and supportive service sectors. The welfare reform initiative is based upon personal responsibility, time-limited assistance, and work for the receipt of benefits. DHS continues to help Michigan recipients make the transition form welfare to work. Temporary Assistance to Needy Families (TANF) is the cash assistance component that helps families work toward their goal of total independence. MSHDA will work with DHS and the DCH to coordinate its housing services and other activities that help reduce the number of poverty-level families in Michigan. Through a number of community and economic development programs, the Michigan Economic Development Corporation promotes job creation in the private sector in all areas of the state.

Additionally, a new initiative called The Cities of Promise was launched in 2006 and will continue through December 31, 2010. This interagency initiative aims to redevelop communities and reduce poverty. The pilot cities are those that are experiencing sometimes, devastating conditions because of declining population, extreme poverty, loss of industry and jobs, crumbling infrastructure, and blighted neighborhoods. They include Benton Harbor, Detroit, Flint, Hamtramck, Highland Park, Muskegon Heights, Pontiac, and Saginaw.

This initiative includes nineteen state agencies: Departments of Education, Civil Rights, Labor and Economic Growth, Transportation, Environmental Quality, Military and Veterans Affairs, Michigan State Police, Human Services, Community Health, Michigan Economic Development Corporation, Education, Natural Resources, Treasury, Management and Budget, Agriculture, Michigan State Housing Development Authority, Information Technology, History, Arts and Libraries, and Corrections. The role of the state agencies is to work together in a strategic, collaborative fashion to focus resources in these communities – driven by the local plans and presenting needs.

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H. CERTIFICATIONS OF CONSISTENCY

The Michigan State Housing Development Authority will continue to review applications for assistance made to HUD by local governments, local public housing authorities, and non-profit providers falling within the area of the state covered by the Consolidated Plan. The review focuses on whether the applicant's proposal addresses areas of priority need identified in the Plan and the consistency of the proposal with the relevant Plan strategy for responding to the need. The requisite certificate is then issued for inclusion with the applicant's request for funding assistance.

I. COORDINATION EFFORTS

A major priority of the Michigan Consolidated Plan is to enhance the coordination between public and assisted housing providers and private and governmental health, mental health, and service agencies. In fact, Goal 5 of the Plan is to develop linkages between the housing and service sectors to provide greater housing opportunities to special needs populations.

For a complete discussion of the state's coordination efforts, please see the narrative discussion of Goal 5 in Section IV.