

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

**Subject: PROPERTY REQUIREMENTS**

**Effective Date: September 1, 2015**

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MSHDA's Community Development Division (CDD) has imposed the following minimum property requirements and standards for CDD-assisted units. This policy will address properties assisted under the following components:

- Homebuyer Assistance
- Homeowner Assistance
- Rental Rehabilitation
- Demolition

**HOMEBUYER ASSISTANCE**

- Eligible homebuyer units include attached or detached single-family homes (1 - 4 units), townhomes and condominium units. HOME funds can assist the owner-occupied unit and the pro-rated share of common costs.
- New construction units, whether site-built or manufactured, must be connected to public water and/or sewer service.
- The appraised value of an assisted homebuyer unit (with or without construction or rehabilitation) cannot exceed the amount listed in the Maximum Purchase Price and Maximum After Rehab-Value Limits posted in Grantee Tools on CDD's website and under the Admin tab in OPAL. **After Rehab-Value Exceptions:**
  - Under an Acquisition Development Resale model (ADR), the sale price of the property to the homebuyer cannot exceed the lesser of the appraised value or HUD's HOME Value Limits.
  - Use the Certification of After Rehab Value form, posted in the Grantee Tools on CDD's website, to demonstrate the post-development value (ADR) or post-rehab value (HPR) of an assisted homebuyer unit does not exceed the applicable value limits.

**HOME PURCHASE WITH REHABILITATION (HPR)**

- The property must be vacant, owner-occupied, or being purchased by the renter at the time of the purchase agreement.
- Rehabilitation funds (from all sources) must be committed and time line must be set and approved by MSHDA.
- Property must be free from any defects that threaten the health or safety of the occupants before they move in.
- Grantee and homebuyers must arrange for all the rehabilitation work needed to bring the property up to applicable local codes, standards, ordinances, and at a minimum Uniform Physical Conditions Standards (UPCS), to be completed within 90 days after title transfers to them.

## HOMEOWNER ASSISTANCE

**CDBG funded units:** MSHDA allows a maximum 15% of a CDBG funded Homeowner Assistance component to be used on properties where only “emergency repairs” are completed. If CDBG funds are used to do emergency repairs, Grantees must establish Emergency Repair procedures, including a definition for what is considered an emergency, in their local Program Guidelines.

**CDBG and HOME funded units:** After rehabilitation, properties cannot have an appraised value exceeding HUD’s CDBG and HOME Value Limits, posted in the Grantee Tools on CDD’s website and under the Admin tab in OPAL. **After Rehab-Value Exception:**

- Use the Certification of After Rehab Value form, posted in the Grantee Tools on CDD’s website, to demonstrate the rehab value of an assisted homeowner unit does not exceed the applicable value limits.

### **Additional Requirements Regardless of Funding Source**

- If the existing house is infeasible for rehabilitation, the structure may be demolished and another home may be built or brought to the site, as a “rehabilitation” activity.
- Manufactured housing must be a part of the community’s permanent housing stock, which is defined as follows:
  - 1 On a permanent foundation;
  - 2 Taxed as real property; and
  - 3 Not subject to a chattel mortgage or severance agreement that treats the unit as personal property.

Manufactured homes on rented land (including homes in manufactured housing communities) are not eligible.

## RENTAL REHABILITATION

Assisted units must have at least 750 square feet and at least one bedroom and bathroom. Properties must be maintained to meet, at a minimum, UPCS throughout the applicable affordability period. HOME assisted properties of 1-4 units must be inspected every 3 years to insure UPCS compliance. Properties of 5-24 units must be inspected every 2 years. Properties of 25 units or more must be inspected annually. (See **Attachment A**, Rental Rehab Annual Affordability Report.)

Eligible activities include moderate or substantial rehabilitation of existing occupied or vacant rental housing. The following identifies the ineligible and eligible properties under the Rental Rehabilitation component:

### **Ineligible Properties**

- Temporary shelters
- Efficiency Units
- Commercial properties
- Public Housing units may not be assisted nor may properties owned by ecclesiastical entities (churches).

### **Eligible Properties**

- Grantees may fund rehabilitation on certain units in a multi-family building, but once CDBG or HOME funds are invested, all units in the project must meet UPCS standards, even if they are not assisted.

- Properties previously assisted with HOME funds generally cannot be assisted again, unless assistance is provided during the first year and the HOME Maximum Per-Unit Subsidy Limit has not already been provided.

### **Asbestos Survey Requirement**

A rental property owner of a pre-1980 structure, that has employees that work in the building, must have an Asbestos Survey done on their building, before the owner can apply for Rental Rehabilitation assistance for that building. The Asbestos Survey is a MIOSHA requirement, and MIOSHA has issued tickets with significant fines to landlords who have not had this required survey.

### **Architectural Drawings**

When new rental units are created, MSHDA (and the State of Michigan) requires that there be architectural construction drawings with an architect or engineer's stamp-seal of approval prepared for those units. CDD Grantees must submit copies of the stamped architectural construction drawings along with General Conditions and Specifications to MSHDA CDD's Construction Specialist for review and approval before awarding a construction contract on the project.

### **Accessibility**

A landlord must make reasonable accommodations in rules, policies, practices, or services when the accommodations may be necessary to afford a person with a disability equal opportunity to use and enjoy residential real property.

A landlord shall not refuse to permit, at the expense of the person with a disability, reasonable modifications of existing premises occupied or to be occupied by the person with a disability, if those modifications may be necessary to afford the person with a disability full enjoyment of the premises.

A reasonable modification may include the addition of handrails in a lavatory. In this instance, the modification may be at the landlord's expense, because the handrails may remain after the person relocates and can be beneficial to the next tenant. A reasonable modification such as relocation of a counter top may be made at the expense of the person with the disability. The person with the disability may be required to return the counter top to its original position upon vacating the premises.

## **DEMOLITION**

Demolition is considered an eligible activity under both the CDBG and HOME programs when a property is determined to be blighted or is found to be economically infeasible for rehabilitation. Blighted sites must be located in CDBG low and moderate income area, block group or census tract (when CDBG funded) and meet one of the following blight definitions: 1) considered a public nuisance according to local code or ordinance; 2) is a nuisance because of age, physical condition, or use; or 3) has had utilities, plumbing, heating, or sewerage disconnected, destroyed, removed, rendered ineffective so that the property is unfit for its intended use. Note the following variations between the two funding sources:

- **CDBG** funded demolition must support a housing program, targeted housing strategy, or neighborhood revitalization effort. The reuse may be open space or land held for future development, if it is part of an adopted plan by the locality. The specific reuse plan must be submitted with the housing proposal to CDD. (Program Income rules apply when the land is sold.)
- **HOME** funded demolition can only be done if it is part of a particular housing project intended to provide affordable housing that will begin construction within 12 months.

The proposed reuse of the property will determine if Davis-Bacon applies to the demolition project. For further information on the applicability of Davis-Bacon, refer to the Davis-Bacon Policy.

## **FILE DOCUMENTATION**

Use CDD's Required Documents Checklists for lists of documents needed in each activity file. Required Document Checklists for each component are on CDD's website under Grantee Tools.

If you have questions, contact your CD Specialist at 517-373-1974.

### **Attachment**

A. Rental Rehabilitation Annual Affordability Report