

## Missing Middle Frequently Asked Questions

The following Frequently Asked Questions (FAQs) and Answers are for informational purposes only. This document is not binding. Applicants should refer to the final Missing Middle Housing Program plan and accompanying documents (when approved and available) for final guidance.

### General FAQs – Updated October 2024

<b>1.</b>	<p><b>Round 1 and 2 are closed. Will there be future rounds?</b></p> <p>MSHDA recognizes the continued need for workforce housing and is exploring new funding sources. Currently no new round is scheduled but watch the Missing Middle webpage for updates RE: funding.</p>
<b>2.</b>	<p><b>If I applied in a prior Round but did not receive an award. Will my application automatically be considered for future Rounds?</b></p> <p>No. Regardless of your prior application(s) status, no documents will be re-used in future Rounds. If there are future rounds, a new application under the terms of said round will be required.</p>
<b>3.</b>	<p><b>How will you decide who is awarded funds?</b></p> <ul style="list-style-type: none"> <li>• Rounds 1 &amp; 2, used a first-come first serve order with <b>complete</b> applications being reviewed.</li> <li>• Future rounds will likely have far less funding so the process may differ from this.</li> </ul>
<b>4.</b>	<p><b>Is there a minimum number of Missing Middle units that will be required in a project?</b></p> <p>No, there is no minimum.</p>
<b>5.</b>	<p><b>Is there a limit to the grant amount that can be requested for a project?</b></p> <p>For Round 2, the maximum grant amount to any one project is \$5 million. Grant funding is also limited to:</p> <ul style="list-style-type: none"> <li>• \$80,000/unit for projects of 11 units or less</li> <li>• \$70,000/unit for projects with 12 more units</li> </ul> <p>Future rounds (if any) may have different limits.</p>
<b>6.</b>	<p><b>What is the income range for the Missing Middle Target Population?</b></p> <p>MSHDA has established that range to be 60%-120% Area Median Income and we will use established income limits by county for determining compliance.</p>
<b>7.</b>	<p><b>Who is considered an eligible developer to apply for Missing Middle funding?</b></p> <p>Missing Middle Housing Program legislation states a developer must be a qualified real estate developer. A qualified real estate developer means a landbank, local government, or nonprofit or for-profit developer. It is no longer limited only to non-profit 501c3 developers.</p>
<b>8.</b>	<p><b>Will there be a limit to how much a particular developer can receive?</b></p> <p>Yes. The maximum Missing Middle funding awards to any one developer (including related party entities) will be limited to \$10,000,000. Should MSHDA determine that this limit is an impediment to achieving geographic distribution of the resources, it reserves the right to waive this limit by posting notice on the MSHDA website. If a developer partners with another developer on a project, the amount of Missing Middle funding that will count towards the developer’s cap will be pro-rated based on the percentage of ownership that the developer has in the project.</p>
<b>9.</b>	<p><b>Will projects be allowed to break ground prior to applying for funding?</b></p> <p>Yes, projects are allowed to break ground prior to seeking Missing Middle funding. However, developers should know that they are doing this at their own risk and that there is no guarantee that the Missing Middle housing application will be approved, and funding reserved for the project until it is fully reviewed and receives an award letter. Developers cannot apply for Missing Middle funding for projects that are complete at the time of application.</p>
<b>10.</b>	<p><b>Does the Missing Middle Housing Program (MMHP) have any scoring metrics associated with it?</b></p> <p>In Rounds 1 &amp; 2 MMHP did not use scoring metrics. It is unknown if this will differ for future rounds.</p>

11.	<p><b>What if my grant request exceeds the amount available for my region?</b></p> <p>If your application is deemed eligible for an award, we may offer you the balance of funding remaining for your region and MSHDA may also consider utilizing undesignated funds to bridge the difference (case by case). Should additional funding become available later, it is possible you could be granted additional funding up to your requested amount at MSHDA’s discretion.</p>
12.	<p><b>Is the Missing Middle money funded on a reimbursement basis at the end of construction or will draws of the funding be allowed throughout the construction period?</b></p> <p>Effective with the 2024/25 State budget, awardees may now request to receive disbursement of all or a portion of their awarded funds at any time from financial closing through Certificate of Occupancy (CofO) at project completion. While a CofO <u>is no longer required to receive disbursement</u>, it will be required, along with other documentation, to be submitted to MSHDA upon completion.</p> <p>To receive disbursement, a project must have an executed grant agreement plus financially closed or have a closing date scheduled (we can arrange for MM funds to be at the closing in most cases). Rentals must also execute their Regulatory Agreement around the time of disbursement. Additional documentation may be required with requests for disbursement prior to CofO. Full details regarding disbursement requests are on the Missing Middle webpage.</p>
13.	<p><b>Will any MSHDA permanent debt be offered to Missing Middle housing projects?</b></p> <p>Missing Middle housing projects are generally expected to secure their own permanent debt. If projects would like MSHDA to be the permanent lender on the Missing Middle development, MSHDA would consider making a loan at its current interest rate and terms. Projects that would like to consider MSHDA permanent financing should contact MSHDA’s Rental Development Division to discuss the terms and process. Developers should consider the speed at which they can secure financing for their project.</p>
14.	<p><b>The rural designation of 30% seems high. Can this percentage be adjusted to be in-line with the state’s population in rural areas, which is less than 30%?</b></p> <p>The Missing Middle housing legislation for Round 1 &amp; 2 specifically states that at least 30% of the dollar amount of awards under the program must be allocated to projects in rural communities, including, but not limited to, projects located in the Upper Peninsula. MSHDA cannot change this requirement.</p>
15.	<p><b>What is meant by eligible applicants having to pass a financial capacity test?</b></p> <p>MSHDA’s goal is to ensure that developers have secured access to fully fund the project even without Missing Middle funds. Only applicants who demonstrate that they have the funding available and ready to complete construction of the proposed project without Missing Middle funds will be deemed eligible applicants. An applicant must show they have secured funding for their project. For example, it could include developer financial documents (ex: audits), letters from the lender(s) and/or grant documents.</p>
16.	<p><b>What will the background and creditworthiness review entail?</b></p> <p>MSHDA will request authorization to run the reports for key employees and the developer.</p> <ul style="list-style-type: none"> <li>• Credit reports will be run thru Dun &amp; Bradstreet.</li> <li>• Background checks will be thru CLEAR.</li> <li>• To protect confidential information, you will be provided a secure file in SharePoint to upload your authorization forms.</li> <li>• NOTE: If an entity has no record in Dun &amp; Bradstreet, they will be asked to sign up.</li> </ul>
17.	<p><b>Will there be any underwriting criteria associated with the program? For example, will there be a minimum DCR, vacancy loss, reserves, etc.</b></p> <p>MSHDA will be reviewing the project and the projected operating pro-forma, but in most cases, projects will have a senior lender who will be underwriting the development and will have more risk than MSHDA. Therefore, MSHDA has built flexibility into the program to be able to defer to the senior lender’s underwriting standards so as not to add an extra layer of underwriting criteria that a Missing Middle project will need to meet.</p>

<p><b>18.</b></p>	<p><b>What is considered acceptable to meet the requirement for local support?</b>  The Missing Middle Housing Program legislation constitutes the following as local support:</p> <ul style="list-style-type: none"> <li>• Financial contributions or grants in an amount equal to or exceeding \$5,000.00.</li> <li>• A tax abatement provided to a project in accordance with state law.</li> <li>• Tax increment revenues captured by a local unit of government and committed to a project in accordance with a tax increment finance and development plan.</li> <li>• Land transferred from local government at a cost of not more than \$1,000.00 per housing unit.</li> <li>• MSHDA recognizes a letter of support or Resolution from the local government detailing how the project contributes to addressing the housing needs in the community as an acceptable form of local support.</li> </ul>
<p><b>19.</b></p>	<p><b>The Missing Middle Housing Plan mentions potential review by MSHDA for construction quality and design. What are the construction quality and design standards of the MMHP?</b>  The Missing Middle Housing Program does not have detailed design standards that projects will need to follow. Since the Missing Middle program is gap funding and not designed to be the primary source of funding for the project, most projects will have a senior lender already ensuring that baseline design standards are being met. Developers are encouraged to evaluate the type of housing that will best serve their community in the near-term and long-term to ensure that the Missing Middle resources have both an immediate and long-lasting impact.</p> <p>However, at MSHDA’s discretion, projects must demonstrate appropriate construction quality and design based on the location that the project will be located.</p>
<p><b>20.</b></p>	<p><b>Will Davis Bacon be required as part of the Missing Middle Housing Program?</b>  For <b>Rounds 1 &amp; 2</b> which were federally funded with ARPA (via U.S. Treasury), Davis Bacon/prevaling wages was a requirement. As such:</p> <ul style="list-style-type: none"> <li>• All Missing Middle Housing Program subrecipients working on the job site are required to ensure that contractors and/or subcontractors undertaking construction and/or substantial rehabilitation in excess of \$2,000 pay at least the applicable prevailing wage amounts. Prevailing wages, including fringe benefits, must be paid on all hours worked at the job site.</li> <li>• A wage determination will be made at the time the Grant Agreement is entered and these wages will remain at those minimum amounts for the entire project (i.e. not increase/decrease) so long as construction starts within 180 days of the executed grant agreement.</li> <li>• All other Davis-Bacon and/or related requirements are <b>not</b> in effect for Missing Middle.</li> <li>• We require certification of Davis Bacon wages being paid upon disbursement or completion.</li> <li>• For full details on Davis Bacon requirements, visit Missing Middle webpage.</li> </ul> <p><b>Future Rounds</b> (if they occur) TBD as it will depend on the funding source.</p>
<p><b>21.</b></p>	<p><b>What is an Affirmative Fair Housing Marketing Plan (AFHMP)?</b>  An AFHMP outlines the target population within the project area, the outreach efforts, the methods, the budget, and the experience of the project team with marketing a project. The goal of the plan is to ensure that continuous outreach efforts are made to establish a balanced waitlist to ensure equal access to housing and combat housing discrimination. The AFHMP is only required for rental projects.</p>
<p><b>22.</b></p>	<p><b>What do the quarterly progress reports entail?</b>  Once the developer has an executed Grant Agreement, they must provide quarterly progress reports per Federal requirements. These are due the 14<sup>th</sup> of the month following the end of a quarter. For example, a 2nd quarter report (Apr-June) would be due July 14<sup>th</sup>.</p> <p>MSHDA provides awardees with a customized quarterly report template to fill out. It asks questions related to the construction of the project or unit(s). This allows MSHDA to track progress and ensure that projects proceed on schedule. It also allows staff to prepare for project completion and final reviews that will accompany our closeout at the time of Certificate of Occupancy.</p>

<p><b>23.</b></p>	<p><b>What type of legal security documents is MSHDA planning to require for a Missing Middle project?</b>  The documentation may vary based on development type and the ownership structure. MSHDA has templates for all of them with many available on our webpage.</p> <p><u>Rental:</u></p> <ul style="list-style-type: none"> <li>• Grant Agreement between MSHDA and the developer</li> <li>• Regulatory Agreement between MSHDA and the developer</li> </ul> <p><u>For-sale:</u></p> <ul style="list-style-type: none"> <li>• Grant Agreement - between MSHDA and the developer</li> <li>• Restrictive Covenant (as exhibit to Deed) - to ensure that the developer is put on notice of future sales and thus ensuring future sales of the unit are following program requirements for the 5-year compliance period.</li> <li>• Beneficiary Compliance Agreement (optional) – between developer and buyer/beneficiary</li> </ul>
<p><b>24.</b></p>	<p><b>Will MSHDA collect Diversity, Equity, and Inclusion (DEI) information?</b>  Diversity, Equity, and Inclusion is a top priority for MSHDA and therefore data may be collected to inform potential future program changes.</p>
<p><b>25.</b></p>	<p><b>Will market studies be required for for-sale Missing Middle housing projects?</b>  A market study is required for all Missing Middle housing projects. MSHDA believes there is value in reviewing a market study or relevant market area statistics to show the housing being developed is going to be priced in a way that will be acceptable to the target market area. MSHDA is approaching market studies by trying to utilize the documentation a Missing Middle project will likely already have (due to it being required by a lender or just a function of the market research that would be done before setting a rent or sale price) and not to add additional burden to the developer.</p>
<p><b>26.</b></p>	<p><b>What kind of environmental study will be required? Will MSHDA require a Phase I ESA?</b>  A Phase I ESA will be required for all <u>multi-family</u> proposals. In most cases a Phase I ESA is not required for single-family proposals (including rental) unless there is a history of non-residential use. Specifically, if there is or has been a non-residential use of the subject or adjoining property(ies) where significant quantities of hazardous or petroleum chemical were used, disposed, stored, or dispensed (i.e., gasoline station, dry cleaner, foundry, heat treatment, plating operations, factories, landfill, etc.) a Phase I ESA is required. If contamination is verified above residential criteria on any proposed property, the project will be required to fully characterize the site and document appropriate response activities for due care under EGLE law. <b>Refer to the environmental checklist to determine if your site requires a Phase 1.</b></p>
<p><b>27.</b></p>	<p><b>What will tenant/owner income certification entail?</b></p> <p><b>Initial Occupancy:</b> Income certification is required at initial occupancy of <u>any</u> unit. Developers (or management) must facilitate the completion of one of the following:</p> <ul style="list-style-type: none"> <li>• RENTALS - Tenant Income Certification (TIC) form</li> <li>• FOR-SALE - Owner Income Certification (OIC) form</li> </ul> <p>You must also collect the supporting documentation you used when determining the household income that was entered on the TIC/OIC. Be sure to retain these documents in the resident file in case of an audit. You do NOT need to provide backup documents to MSHDA unless requested.</p> <p><b>Annually:</b> Developer (or management) will be required to provide income verifications to comply with ARP guidelines. MSHDA Compliance will specify what is needed (refer to Missing Middle Compliance policy which is linked on the Missing Middle webpage)</p> <ul style="list-style-type: none"> <li>• Rental projects: This requirement will be in place for a 10-year compliance period.</li> <li>• For-sale units: This requirement will be in place for a 5-year compliance period.</li> </ul>

28.	<p><b>How will projects be required to monitor ongoing program compliance requirements on for-sale transactions after it is sold to the homeowner?</b></p> <ul style="list-style-type: none"> <li>• The Restrictive Covenant attached to the deed should help prevent any undisclosed sales from occurring during the 5-year compliance period as well as the Beneficiary Compliance Agreement which is between developer and buyer.</li> <li>• Since the Grant Agreement will be between the developer and MSHDA, the developer can opt to enter a mortgage type document with the homebuyer.</li> </ul>
29.	<p><b>What income and rent limits should be used?</b></p> <p><u>Income</u>: MSHDA Compliance has established 60%-120% income limits specifically for Missing Middle and will vary by county. These will be updated annually and available on the MSHDA Compliance webpage: <a href="http://www.michigan.gov/mshda/rental/Property-Managers/compliance">www.michigan.gov/mshda/rental/Property-Managers/compliance</a>.</p> <p><u>Rent</u>: A Missing Middle unit cannot have a total housing expense that exceeds 30% of the 120% income level based on unit size for the county. Total housing expense = rent + utilities. Thus, MSHDA will not set a rent range but will verify the developer has properly calculated the household income on the Tenant Income Certification (TIC) and charges at or below 30% of the 120% income level based on unit size.</p> <p>REMINDER: Total housing expense is rent + utility costs.</p>
30.	<p><b>What is the acceptable range of home prices for Missing Middle?</b></p> <p>So long as the household income falls within the Missing Middle limits (i.e. 60%-120%) the housing expense on a for-sale home (i.e. mortgage payment) is generally assumed to be acceptable for the household based on the qualifying process used by the primary lender. Rather than set a price range we will look to see that the sale price makes sense for the area and that an income qualifying household will not be housing burdened. MSHDA will make sure no notable discrepancies exist and reserves the right to seek clarification and/or deem a mortgage payment unreasonable for the household.</p> <p>It may be helpful to refer to the Missing Middle 60%-120% income charts for your project’s county to help identify the eligible buyer income range and calculate what would be a reasonable monthly housing expense (appx. 30% of the income).</p> <p>REMINDER: Legislation defines “Final mortgage payment” as a mortgage payment calculated by the developer that must include principal, interest, taxes, insurance, private mortgage insurance, association fees or lease payments, or fees related to participation in a community land trust...”.</p>
31.	<p><b>Can a Missing Middle unit be rented to a household with a rent voucher?</b></p> <p>Since voucher holders typically have an income of under 60%, it is unlikely a voucher holder could meet income qualifications. Therefore, generally, no, you should not rent a MM unit to a voucher holder.</p>
32.	<p><b>Do I have to use MSHDA Public Housing (PHA) charts to calculate utility averages?</b></p> <p>Yes, we require you use the PHA charts as provided on the MSHDA Compliance webpage.</p>
33.	<p><b>What are the options for calculating income? Must I use an applicant’s IRS 1040? What about child support and other sources of income?</b></p> <p>We have recently updated our policy allowing more flexibility so you will not only have the 1040 option. Please refer to the Missing Middle Compliance Policies on the <a href="http://www.michigan.gov/mshda/rental/Property-Managers/compliance">MSHDA Compliance</a> webpage which has detailed information about the allowable methods.</p>
34.	<p><b>Is a student eligible to live in a MM unit if they have a co-signer that is income qualified?</b></p> <p>Income qualification is based on <u>residents</u> thus a co-signer’s income only applies IF they too live in the unit. Missing Middle households must be income qualified at the time of move-in by using the combined income of all earners in the household 18 years or older that live in the unit/home.</p>