

## 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 as they pertain to **Round 2** and per legislative changes effective January, 2023, under PA 1 of 2023

<b>1.</b>	<p><b>I applied in Round 1 but did not receive an award. Will my application automatically be considered for Round 2?</b></p> <p>No. Regardless of your Round 1 status (ex: incomplete or denied) no documents are re-used in Round 2. Anyone who wants to be considered in Round 2 must create a new Sharepoint folder and re-submit all required documents as directed on the Missing Middle webpage.</p>
<b>2.</b>	<p><b>How will you decide who is awarded funds?</b></p> <ul style="list-style-type: none"> <li>• Applications will be reviewed in a first-come first serve order with only <b>complete</b> applications being reviewed. A complete application consists of the application, pro-forma and all required documents based on your project type as shown on the checklist.</li> <li>• Applications and documentation must be uploaded into your Sharepoint folder.</li> <li>• Complete applications received by 4pm on the same day will then be sorted by least per-unit amount requested to most per-unit with least given higher priority.</li> <li>• We also reserve the right to prioritize applications to ensure program requirements are met as they pertain to regional funding availability, rural etc.</li> <li>• In the event a region does not use all their funding, we may go back to the top of the application order and award to applicants from other regions to ensure all funding is used (subject to the City/Village/Township limits).</li> </ul>
<b>3.</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>4.</b>	<p><b>Is there a limit to the grant amount that can be requested for a project?</b></p> <p>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>An award is limited to the actual labor and material cost of the construction or rehabilitation.</p>
<b>5.</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 (AMI) and we will use established income limits by county for determining compliance. We will no longer use 185%-300% Federal Poverty Guideline (FPG).</p>
<b>6.</b>	<p><b>Who is considered an eligible developer to apply for Missing Middle funding in Round 2?</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>7.</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>

<p><b>8.</b></p>	<p><b>Will projects be allowed to break ground prior to applying for funding? A delay could lose another year of progress because of the shortened construction season.</b>  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 until it is fully reviewed and receives all necessary signoffs. Developers cannot apply for Missing Middle funding for projects that are complete at the time of application.</p>
<p><b>9.</b></p>	<p><b>Will the Missing Middle housing program (MMHP) have any scoring metrics associated with it? For example, will developers be incentivized to be efficient with the resource because they can score higher for being more efficient?</b>  No, the MMHP does not use a scoring metrics. However, the Missing Middle housing legislation requires that specific project and geographic targets are met through the MMHP award distribution. Funding will be reserved, and priority will be given on a first-come-first-served basis to projects within the applicable project and geographic Targets. Any remaining funding will be available to all other projects regardless of geographic location on a first-come-first-served basis (subject to the City/Village/Township limits). Additional detail regarding funding availability can be found in the Missing Middle Housing Program Plan.</p>
<p><b>10.</b></p>	<p><b>What if my grant request exceeds the amount available for my region?</b>  If your application is deemed eligible for an award, we would offer you the balance of funding remaining for your region. MSHDA will considering also utilizing undesignated funds to bridge the difference (case by case). Should additional funding become available later, you may be granted additional funding up to your requested amount depending on your position in line.</p>
<p><b>11.</b></p>	<p><b>Will the Missing Middle money be funded on a reimbursement basis at the end of construction or will draws of the funding be allowed throughout the construction period?</b>  Missing Middle housing funding will be disbursed to projects on a <b>reimbursement</b> basis upon the demonstration that a project has completed construction and has received a Certificate of Occupancy (or otherwise deemed complete). This will require projects to develop a strategy to financially bridge the Missing Middle housing grant funding during the construction period of the project with the understanding that the Missing Middle funding will not be disbursed to the project until a Certificate of Occupancy is received.</p> <p>For projects where a unit(s) can be clearly defined as exclusively complete and related costs identified we can consider reimbursement draws for individual units. For example, if a 10 single-family home project has 2 complete units with qualified residents ready to move in, the developer could request reimbursement for the grant share related to those 2 units.</p>
<p><b>12.</b></p>	<p><b>Will any MSHDA permanent debt be offered to Missing Middle housing projects?</b>  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 to 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 terms and process. Due to the first-come-first-serve structure of the Missing Middle application process, developers should consider the speed at which they can secure financing for their project.</p>
<p><b>13.</b></p>	<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>  The Missing Middle housing legislation 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>

14.	<p><b>What is meant by eligible applicants having to pass a financial capacity test?</b></p> <p>Missing Middle grant funding is a <i>reimbursement</i>, therefore, projects must have a strategy to financially bridge the Missing Middle housing grant funding during the construction period of the project.</p> <p>MSHDA’s goal in this area to is ensure that developers have secured access to fully fund the project 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. This means an applicant must clearly 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>
15.	<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 and 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> </ul> <p>NOTE: if an entity has no record in Dun and Bradstreet, they will be asked to sign up</p>
16.	<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 at 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>
17.	<p><b>What is considered acceptable to meet the requirement for local support?</b></p> <p>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 the local unit of 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 unit of government detailing how the project contributes to addressing the housing needs in the community as an acceptable form of local support.</li> </ul>
18.	<p><b>The Missing Middle housing plan mentions potential review by MSHDA for construction quality and design. Are there construction quality and design standards as part of the Missing Middle housing program?</b></p> <p>The Missing Middle housing program will 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 in order 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>19.</b></p>	<p><b>Will Davis Bacon be required as part of the Missing Middle housing program?</b>  All Missing Middle Housing Program (Missing Middle) subrecipients working on the job site are required to comply with ensuring 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 and is based entirely as cash wages or cash wages and employer-provided bona fide fringe benefits. A wage determination will be made at the time the Grant Agreement is entered and it will lock in the wages for the project period.</p> <p>All other Davis-Bacon and/or related requirements are <b>not</b> in effect for Missing Middle, including but not limited to, formal postings/notifications on-site; documents including executive orders, clauses, related acts, and formal provisions within the contracts/bids including mandatory pre-construction conferences, submission of certified weekly payroll reports, weekly payments, apprenticeship provisions, and conducting of employee interviews. NOTE: Certification that Davis Bacon wages were paid will be required upon project completion when the applicant is seeking reimbursement.</p>
<p><b>20.</b></p>	<p><b>What is an Affirmative Fair Housing Marketing Plan (AHFMP)?</b>  An AHFMP 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 in order to establish a balanced wait list in order to ensure equal access to housing and combat housing discrimination. The AFHMP is only required for rental projects</p>
<p><b>21.</b></p>	<p><b>What will the quarterly progress reports entail?</b>  Once an award is made and the developer enters into the Grant Agreement, they must provide quarterly reports (Jan-Mar, Apr-June, Jul-Sept, Oct-Dec) and will be due the 14<sup>th</sup> of the month following the end of said quarter. For example, the second quarter report would be due by July 15th. They can be uploaded into SharePoint or emailed to Missing Middle.</p> <p>MSHDA Missing Middle staff will provide awardees with a customized quarterly report template for the developer team to fill out. It primarily asks you to identify in a percentage basis the progress of the project or unit(s). This will assist MSHDA staff with tracking construction progress and ensure that projects proceed on schedule. It also allows staff to prepare for project completion and final reviews that will accompany the reimbursement requests at the time of Certificate of Occupancy.</p>
<p><b>22.</b></p>	<p><b>What type of legal security documents is MSHDA planning to require for a Missing Middle housing project?</b>  The documentation may vary based on development type and the ownership structure. MSHDA has templates for all of them which will be provided to the developer.</p> <p><u>Rental:</u></p> <ul style="list-style-type: none"> <li>• Grant Agreement from MSHDA to 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 from MSHDA to the developer</li> <li>• Restrictive Covenant (as exhibit to Deed) - to ensure that the developer is put on notice of future sales and thus can ensure future sales of the unit are in compliance with program requirements over the 5-year compliance period.</li> <li>• Beneficiary Compliance Agreement – between developer and buyer/beneficiary</li> </ul>

23.	<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 will be collected in order to inform potential future program changes.</p>
24.	<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 in order 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>For-Sale projects will require the following:</p> <ul style="list-style-type: none"> <li>• The number of households that are pre-approved for mortgages in an amount that will allow them to buy units at the project.</li> <li>• A description of two basic housing market statistics: (1) the average number of days a unit spends on the market before being sold, and (2) the average sales price. Preferably, these datapoints would be for similar housing units to those proposed by the developer.</li> </ul> <p>If available, copy of an existing needs assessment, conducted by a local municipality within the last three years, that shows the amount of demand for for-sale or rental housing at the price points proposed by the developer.</p>
25.	<p><b>What kind of environmental study will be required? Will MSHDA require a Phase I ESA?</b>  Answer: 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. Refer to the environmental checklist to determine if your site requires a Phase 1.</p>
26.	<p><b>What will tenant income certification entail?</b></p> <p><b>Initial Occupancy:</b> Income certification is required at initial occupancy of <u>any</u> unit.</p> <p><b>Annually:</b></p> <ul style="list-style-type: none"> <li>• Rental projects: Developer (or management) will be required to provide tenant income verifications to comply with ARP guidelines. This requirement will be in place for a 10-year compliance period.</li> <li>• For-sale units: On an annual basis, for a period of five years following disbursement of funds, the developer will certify whether there has been a change in homeowner.</li> <li>• In the event a single-family unit is re-sold during the 5-year compliance period, the incoming household income will be reviewed as will the sale price to ensure both remain within the Missing Middle Housing Program parameters.</li> </ul>

27.	<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>
28.	<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> Since every Missing Middle unit has a maximum housing expense of 30% of the household income, every unit's rent could vary. Thus, MSHDA will not set a rent range but will verify the developer has properly calculated the household limits on the Tenant Income Certification (TIC) and charges at or below the household limit.</p> <p>REMINDER: Total housing expense is rent + utility costs. For more details, visit the Missing Middle webpage <a href="http://www.michigan.gov/missing-middle">Missing Middle Housing Program (michigan.gov)</a> which has links to specific topics including an example of how to identify income ranges and calculate rent.</p>
29.	<p><b>What is the acceptable range of home prices for Missing Middle?</b></p> <p>Rather than set a range which could vary greatly by area, change regularly, and be affected by other factors (ex: interest rates; a down payment gift from a family member), we will be looking to see that price makes sense for the area and that an income qualifying household will not housing burdened.</p> <p>You can 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). Prior to releasing a grant reimbursement, we will require information about the qualifying buyer to determine they met income qualifications but are also not going to be housing burdened by their mortgage payment. With a Missing Middle grant award notably reducing the construction cost, it is intended to bring these homes into an achievable range.</p> <p>REMINDER: Legislation defines "Final mortgage payment" as a mortgage payment calculated by the developer that must include principal, interest, taxes, insurance, PMI, association fees or lease payments or fees related to participation in a community land trust..."</p>
30.	<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%, to be in compliance, no, you cannot put a voucher holder in a Missing Middle unit.</p>
31.	<p><b>I understand the renter cannot pay more than 30% of their household income toward rent + utility costs (i.e. total housing expense) but 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 MSHDA Compliance webpage (links also available on Missing Middle webpage)</p>
32.	<p><b>I understand we will be using an applicant's IRS 1040 to determine household income but exactly which line should I use and what about child support and other sources of income?</b></p> <p>Please refer to MSHDA Compliance webpage which has detailed information.</p>