

**Michigan State Housing Development Authority (MSHDA)**  
**Neighborhood Development Division (NDD)**  
**Mixed-Use Building Program Guidelines**

**Subject: Mixed-Use Building Rental Program Design & Requirements**

**Effective Date:** November 1, 2024

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MSHDA's Neighborhood Development Division (NDD) supports Downtowns and Corridors within communities to create new affordable unit developments. The Rental Rehabilitation initiative funds the rehabilitation and/or creation of rental units or conversion of vacant, unoccupied space to affordable and market-rate residential units in traditional downtowns. Investing in mixed-use areas within city centers will increase mixed income housing.

**NOTE: Property owners or immediate family members cannot live in NDD assisted units for five (5) years after the MSHDA regulatory agreement date.**

**Eligible Properties:**

- Downtown buildings that contain vacant, substandard residential units
- Mixed-Use buildings within corridors to the downtown within one mile
- Buildings that include the preservation and rehabilitation of a historic resource
- Buildings that increase the potential of Universal Design to be accessed by all people

**Ineligible Properties:**

- Temporary Shelters
- Short Term Rentals
- Supportive Housing Units
- Public Housing
- Mixed-Use Commercial Spaces
- Exterior Improvements Benefiting Commercial Spaces
- Façade Improvements
- Buildings Included in Land Trust
- Owners with Land Contracts
- Rehabilitation of Occupied Units **(Unit Creation Only)**
- Properties previously assisted with Federal or State funding.
- Vacant Dilapidated Commercial Spaces NOTE: *Minimum*-commercial spaces shall be "White Boxed" ready for business buildout prior to application

**Eligible Applicants:**

- Building owners
- For Profit Developers with site control
- Downtown Development Authority's as either Non-Profit, 501c3 or Local Unit of Government serving as head applicant to building owners
- Non-Profit Organizations 501c3
- Non-Entitlement Community's (CDBG) NOTE: See CDBG Rules and Regulations. Units of Government must be head applicant to building owners. Consult with their NDD-CDBG champion-Federal Only

**Eligible Project Activities:**

- Construction activities necessary to create residential units that meets current state and local codes and compliance requirements
- Historic building elements, ceilings, trims, doors & windows, refinishing wood flooring, lighting, or plumbing fixtures
- Energy star appliances, green features, energy efficiency upgrades
- Universal design elements, occupancy adaptability options or conversions
- Mitigation of lead paint and asbestos containing materials ancillary to an eligible activity
- Exterior components directly related to the “residential units only” such as windows, doors, staircases, guard railings, handrails
- Interior common space construction activities such as stairways, guardrails, handrails, hallways, existing skylights
- Demolition of interior components to ready the unit for reconfiguration per architectural drawings for unit creation
- Egress and exits that directly benefit residential units (not standalone)
- Fire separation that directly benefit residential units
- Fire suppression that directly benefit assisted residential units

**Ineligible Project Activities:**

- Commercial space renovations of any kind
- Façade improvements
- Any construction activities that benefit commercial spaces such as heating units, electrical supply lines, water lines, plumbing, HVAC supply lines or fixtures
- Commercial entry’s and exits
- Infrastructure improvements to the building
- Parking lots
- Basement tenant unit storage for bikes or related buildouts
- Garages or accessory buildings
- Signage of any kind
- Exterior light poles or lighting that benefit the commercial space
- Foundation Repair
- Roofing
- Siding
- Elevators

**Income, Rent Limits, Policy and Affordability Period:**

- Initial occupancy affordability period requirement executed with a one-year lease
- Tenant paid utilities are deducted from the maximum rent limits per funding source
- Rents cannot exceed an annual 5% increase and/or program rent limits throughout the 5-year affordability period
- Income limits cannot exceed 120% AMI and 20% of the assisted units must not exceed 60% AMI
- Units utilized for rental use only, and fairly marketed to the public

**Property Standards:**

- The property shall be maintained to local property maintenance code requirements
- Maintained to local building codes
- Maintained to local fire codes
- Residential Housing Rehabilitation Standards

**Funding Limits:**

- Newly created units are eligible for up to \$100,000 per unit or as determined by NDD
- Minimum 10% minimum leverage is required from the building owners' private funds

**Davis-Bacon Wage Determination:**

- HCDF funded projects are not subject to Davis-Bacon wages

**Site Specific Environmental:**

- Phase 1 ESA with newly created units. The phase 1 report must be completed within 5 years of the MI Neighborhood application date. Non-Scope items include Vapor Intrusion and Radon, survey or testing as applicable
- Phase 2 ESA is required for potential REC conditions and/or concerns indicated within the Phase 1 report
- Asbestos Survey-Pre 1980 structure that has employees that work in the building must have an Asbestos survey done on their building before MI Neighborhood grant agreement. The asbestos survey is a MIOSHA requirement for worker safety on mixed-use buildings
- Lead Paint Work Safe/Work Clean Standards

**Architectural Drawings and Plan/Zoning Approval:**

- MSHDA and the State of Michigan require architectural construction drawings with an architect or engineer's stamp/seal of approval for newly created units with mixed-use
- NDD applicants must submit copies of the architectural construction drawings along with general conditions and specifications to the NDD construction manager or specialist for review and approval prior to HCDF funding reservation
- Prior to MI Neighborhood application, the project shall be approved by local building plan review and zoning
- The unit size shall be no less than 450 square feet with at least one-bedroom in any configuration, loft or ¾ open wall styles and/or approved by NDD

**Project Proforma:**

- The Rental Development Project Proforma must be submitted with the MI-Neighborhood application. The proforma is located on the MI Neighborhood website
- The required leverage must be substantiated at time of application. If the development cost exceeds the minimum leverage requirements, the developer or building owner must show funding capability and commitment between the maximum grant award and the total development cost
- Building acquisition is not an eligible expense or considered leverage to the total development cost or MI Neighborhood funding award
- In-Kind match and/or volunteer labor requires pre-approval from MSHDA