

Michigan State Housing Development Authority (MSHDA)

"MSHDA Mod" Program

MSHDA Direct-Funded Pilot Project Informational Handout

INTRODUCTION TO MSHDA AND THE MSHDA MOD PROGRAM'S DESIRED OUTCOME:

As outlined in the **State Housing Development Authority Act** (Public Act 346 of 1966, as amended; MCL 125.1401 *et seq*), MSHDA was created to analyze housing conditions and needs throughout the state and determine measures necessary or advisable to alleviate any existing housing shortage in this state. Upon examination of Michigan's housing needs, it has been determined that there is a critical need in rural Michigan for new affordable housing within areas experiencing current job growth. MSHDA has selected an initial pilot area in the City of Coldwater and is in the process of selecting additional pilot areas. MSHDA will work with each pilot area community to identify sites, approve designs and formulate a modular/building team. The pilot program's intent is to use modular products in these critical need areas, thereby reducing the typical single-family construction timeframe and allowing this housing to be made available at an affordable price point (less than \$200,000) and a reduced delivery time.

PILOT PROGRAM OVERVIEW:

MSHDA CONTACT PERSON	Tonya Young: hidmailbox@michigan.gov (All inquiries shall be in writing)
ELECTRONIC APPLICATION DOCUMENTS	https://www.michigan.gov/mshda/0,4641,7-141-5564_91681---,00.html

Funding will not be awarded directly to the builders or suppliers of modular housing; instead MSHDA will partner with local units of government and/or nonprofit corporations currently providing housing services to Michigan rural communities. This will be structured as an Acquisition, Development, Resale (ADR) Product from the Housing Development Fund (HDF) allowing for a maximum developer fee of 15% to the governmental or non-profit sponsor. MSHDA will fund an initial modular home to be used as a model unit for marketing purposes, and additional homes as described below. Each modular unit is eligible for a grant from MSHDA for acquisition, delivery, taxes, site preparation, assembly and related construction costs of up to \$196,000.

The award will be structured as a repayable grant. To be considered for designation as a pilot area, the area must meet, at a minimum, all of the following criteria:

- There is local experience with and acceptance of modular housing
- At least 51% of the families living in the surrounding or adjacent neighborhood must qualify as low, moderate or middle income (up to 120% of area median income)
- A critical shortage of affordable, single-family housing must exist within a defined area, based on new job growth

The household purchasing the modular home financed by MSHDA must be at or below 120% Area Median Income to be considered eligible. An income verification packet must be completed locally and then submitted to MSHDA for approval.

To be eligible for consideration, proposals must include a description of the additional modular units to be constructed after the model has been completed. A match of at least three additional units funded from other sources is required before MSHDA Mod funding will be considered for any more units. MSHDA will fund no more than three units under the MSHDA Mod Program per community.

INITIAL STEPS:

- Complete the following submission requirements, as outlined by MSHDA:
 - Determine Sites/Engineering/Modular Home Providers/Installation Contractor/Subs
 - Propose initial engineering/develop budget projections for modular, infrastructure, etc.
 - Develop and implement marketing strategy
- Enter into a MSHDA repayable grant agreement, mortgage and supporting documents with repayment period not to exceed five years from completion of initial spec model and/or twelve months (with extension provision) from completion of additional units
- Develop proposed timeline from award to completion and occupancy approval on a per unit basis
- Secure all funding sources
- Construction begins
- Establish sales price based initially on current market value (CMV) determined by an appraisal. Price reductions below CMV must be pre-approved by MSHDA

SITE SELECTION:

- Site must be within municipal limits or in close proximity
- Infill units must be compatible with surrounding units and prices
- Utilities and infrastructure must be installed or available to the site within six (6) months after the grant agreement is signed
- Soil condition should be capable of supporting full basement or other foundation
- Site must be located within or adjacent to an existing single family neighborhood
- In the case of multiple units, contiguous lots preferred
- Land control must be available within sixty (60) days
- Site must be in reasonable proximity to employment opportunities and amenities such as shopping, personal services or entertainment
- Site must be properly zoned for the proposed housing

MODULAR PRODUCT SELECTION GUIDELINES:

The modular product proposed by the builder should be approved by the grantee only after giving careful consideration to each of the following:

- Is the manufacturer a recognized leader in the industry?
- What warranties does the manufacturer provide?

- Is the manufacturer financially capable of standing behind its product in the long term?
- What has been this manufacturer's past performance in terms of product quality and meeting delivery deadlines?
- Can the desired number of units be delivered within a short period of time (60-90 days)?
- Does the product incorporate green technology or energy efficiency?
- Is the cost reasonable in the marketplace?
- Is the design attractive and compatible with neighboring homes?

BUILDER IDENTIFICATION:

The builder should be chosen based on capability and demonstrated capacity, with experience in assembling modular housing. All builders must be licensed and carry acceptable general liability insurance as well as builder's risk insurance. Each application should include the following:

1. The builder's resume, company profile and references.
2. A copy of the builder's license and proof of insurance.
3. A description of the steps to be taken and proposed schedule for construction of the foundation, modular home delivery, installation, utility hook-ups and completion.
4. The design and floor plan of the proposed modular unit to be installed by the builder (including a minimum of two bedrooms) along with product specifications.
5. Information on the modular housing manufacturer (see Modular Product Selection Guidelines above).
6. A detailed cost proposal for the delivery and completion of the proposed unit, including the following items:
 - Foundation, including basement (full or crawl)
 - Porch or deck
 - Accessibility features (handrails, steps)
 - Roof trusses (if not included in the unit)
 - Exterior siding (if not included with the unit)
 - Attached or detached garage
 - Site preparation and grading
 - Installation of exterior trim
 - Homebuyer's customization package
 - Landscaping

Selection preferences can be determined by each grantee for local builders, or the use of local suppliers and installers.

PROPOSAL COST REASONABLENESS/MARKET VALUE:

The proposed grantee should prepare a total project budget using the following cost breakdown:

BUDGET	TOTAL COST PER ITEM PROPOSED:
Modular Home Construction Package as proposed by builder*	\$ Include options for full basement and/or attached garage and for solar or renewable energy options *Includes all set-up and delivery charges, costs of assembly and completion, taxes, allowance for customization, permits, foundation, garage, porch or deck, etc.
Sewer and Water Connection/Tap Fees and Utility Hook-Ups	\$
Land	\$
Grantee's Developer Fee	\$
Extension of Infrastructure	\$ Include breakdown per lot
Site Engineering and Preparation	\$
Marketing/Staging/Customization	\$
Security, Taxes and Insurance Prior to Sale	\$
Legal, Title, Other Professional Fees	\$
Appraisal	\$
TOTAL COST PER UNIT PROPOSED:	\$
COST PER SQUARE FOOT:	\$

Note: Submitted pricing should not exceed MSHDA's funding limit of \$196,000 per home unless local resources will be used to pay the higher amount. In no event should the maximum cost be expected to exceed \$223,000 per home.

It is the intention of this program to minimize the amount of any grant forgiveness that would be necessitated by an overall project cost that exceeds the established CMV. Accordingly, preference will be given to proposals where the proposed project budget is as close to the established CMV as possible and the grantee's developer fee is less than the maximum permitted (15%). In-kind contributions and non-repayable sources of funding will also make a proposal more attractive.

The modular housing and all property delivered to the site for incorporation into the home being constructed must be fully insured at all times. The housing must be properly secured from break-ins during construction and until it is sold or occupied.

FUNDING SOURCES:

Proposals that are able to leverage other sources of funds will be given priority. A list of proposed sources that equal or exceed the expected total project cost must be included in each application. For each source of non-MSHDA funds, list the contact person(s), telephone number(s), e-mail address, status of commitment, and dollar amount. For funds to be considered as committed, a written commitment must have been made within the past three months by a reliable source for the amount that is expected. A written commitment subject to conditions may be accepted so long as the conditions are reasonable and (in the sole discretion of MSHDA) likely to be met. In-kind contributions by the grantee, other governmental units or local suppliers or consultants may be included as a source.

REPAYABLE GRANT:

MSHDA's funding will be provided as a repayable grant. This means that the grant is repayable to the extent of the net sale proceeds generated by the sale of the unit to a qualified buyer. MSHDA recognizes that the net proceeds of sale may be less than MSHDA's investment in the modular home, and that some portion of the grant may need to be forgiven, resulting in subsidy attrition. MSHDA must pre-approve any sale of a spec model at a price and terms that will result in net proceeds of less than 90% of the Repayable Grant amount. Interest will accrue on the amount advanced by MSHDA at the rate of three percent (3%) per year, with no compounding. The grantee will enter into a Repayable Grant Agreement with MSHDA and be required to execute a Repayable Grant Note and a Mortgage of the land and the housing to be installed on the land. The Repayable Grant Note will be due on the earlier of the sale of the modular unit or 1 year from the date of the grant, except in the case of a model unit withheld from sale for purposes of marketing the program.

Net sale proceeds will be determined by deducting from the gross sales price all normal and customary closings costs of sale attributed to a seller in the county where the modular unit is located. Other expenses of the grantee may not be deducted.

There will be no post-sale liens imposed on the homebuyer, as eligibility will be determined as part of the sale transaction. There will be no on-going post occupancy compliance requirements imposed on the homebuyer and/or grantee.

HDF SUBMISSION OVERVIEW:

- Provide Applicant Information (either local unit of government or qualified 501(c)(3) organization)
- Provide confirmation of the eligibility of the area and identify the specific employer(s) or other factors affecting economic growth and how this has resulted in a workforce housing shortage within the area
- Provide a brief summary of the proposed activity, including a description of the selected site(s) and location, site control, nearby amenities and the location and availability of all utilities (gas, electric, water, sewer, telephone and cable)
- Identify any anticipated infrastructure needs, their cost and the timing for installation
- Describe the target homebuyer for this housing
- Describe your proposed outreach and marketing efforts for this program
- Describe how the construction of workforce attainable housing will enhance the opportunity for economic development, create opportunities for employment, or promote community development, and thereby improve the quality of life of the residents within the pilot area (required for HDF grants)
- Provide a proposed project budget (see page 4 above)
- Provide information on the builder(s) and modular housing products that have been or are expected to be chosen
- Provide a list of all committed funding sources and any other resources that can be leveraged
- Identify the grantee staff assigned to this program with a brief description of their experience with projects of this nature and/or housing in general
- Provide specific grantee information, e.g. FEIN and evidence of authorization to submit an application

NOTIFICATION TO ALL APPLICANTS:

This informational handout is not an offer of funding nor a solicitation of proposals for funding. This handout does not guarantee that funding will be available if a proposal is submitted. This informational handout is intended only to explain the MSHDA Mod Program to interested communities and non-profits, and to outline the role of the applicant in identifying modular home suppliers and builders and determining costs, timelines and action plans.

MSHDA reserves the right to reject any submission, or any part thereof, or to waive any informality or defect in any submission if it is in the best interest of MSHDA and/or the people of the State of Michigan to do so. MSHDA reserves the right not to award any funding as described under this handout.

All submissions are considered public records and are subject to disclosure under the Freedom of Information Act.

Project costs incurred or expenditures made prior to MSHDA's formal acceptance of a proposal and entry into a written grant agreement between MSHDA and the grantee will not be reimbursed. Costs not included in an accepted proposal will not be reimbursed.