

MSHDA SMALL-SCALE HOUSING RENTAL PILOT PROGRAM 2022 SUBMISSION INSTRUCTIONS

Letters of Interest and Attachments must be submitted by the following deadline:

Due April 22, 2022, 5:00 p.m. EST

The MSHDA Small-Scale Housing Rental Pilot Program (SHRP) is utilizing the Neighborhood Stabilization Program – Program Income (NSP-PI) as a financing mechanism within the Neighborhood Housing Initiatives Division (NHID). The \$2 million dollar grant program is designed to encourage and facilitate small-scale rental housing unit developments consisting of the construction of 2-12 new rental units within rural areas. Small-scale development, especially the creation of workforce and accessible senior housing in areas with a demonstrated market need, can have a significant impact in smaller rural communities, which is where the pilot funding will be focused. The financed units will be constructed and made available to low-, moderate-, and middle-income households (up to 120% area median income) within the State of Michigan. This pilot funding will allow MSHDA to select, via a direct award process, up to eight 501(c)3 nonprofit agencies or for-profit developers structured as Limited Dividend Housing Associations (MSHDA LDHA designation required) at up to \$200,000 per unit. Actual funding will be determined based on the total number of units being constructed and the gap financing needed. Funding will be limited to rural communities/areas identified on the SHRP Eligibility map (located below). Funding award determinations will be made based on regional distribution, timing feasibility, organizational capacity, public/private partnerships, and identified leveraged resources. All projects must result in new rental housing units being created but can consist of either new construction or the repurposing of existing buildings.

Please review this document in its entirety. Determine if your targeted rural communities/areas are eligible by referencing the SHRP Eligibility map at the end of these instructions. If your area is eligible and your agency is interested, follow the three-step submission instructions outlined below to submit a letter of interest along with the required attachments electronically.

OVERALL SUBMISSION INSTRUCTIONS: Submitting a Letter of Interest is a three-step process. Step 1) Below is an electronic link that you will click on to apply for the MSHDA Small-Scale Housing Rental Pilot Program. Step 2) Complete the questions and click Submit. Step 3) After submitting, check your email (including your junk/spam folders), where there will be an email to direct you to a link to upload the attachments. Letter of Interest and Attachments **must be submitted in the format outlined below**. Incomplete submissions will not be reviewed. All submissions are considered public information and are subject to discovery under the Freedom of Information Act (FOIA).

ELIGIBLE AGENCIES: Agencies are limited to Nonprofit 501(c)3 and For-Profit Developers structured as Limited Dividend Housing Associations (MSHDA LDHA). **Note: It has been determined that Land Bank entities can apply for funding and should select the LDHA option.** Previous rental capacity/experience preferred.

COMMUNITY/NEIGHBORHOOD ELIGIBILITY: The funds will be targeted to rural communities/areas and households that serve at or below 120% area median income. Refer to the SHRP Eligibility map located at the end of these instructions. Any areas highlighted in green on this map are considered ineligible.

MSHDA SMALL-SCALE HOUSING RENTAL PILOT PROGRAM TIMELINE	Date/Time
Pilot Program Question and Answer Teams Meeting Link to join SHRP Q & A Teams Meeting	March 30, 2022 10 a.m. – 12 noon
Three Step Submission Due	April 22, 2022, 5:00 p.m. EST
Funding Determinations Made	May 2022
Written Agreement Issued/Term - 36-month grant term	Start: July 1, 2022 End: June 30, 2025

The pilot program encourages/supports the use of modular/modified technologies when feasible, in addition to traditional stick-built homes. Please use the below as a reference:

WHAT IS MODULAR HOUSING? Modular homes are built in sections in a climate-controlled home building facility, then transported to the project location where the sections are assembled and installed. Modular homes can be built efficiently, saving time, and cost, to accommodate immediate workforce housing needs and facilitate affordability. There are many benefits associated with this style of construction. Modular housing typically offers a shorter construction schedule. The efficiency of utilizing the same off-site build process for multiple homes decreases costs as well. Modular housing is also less impacted by weather delays and the difficulty of finding skilled laborers. These factors should result in the home being constructed and sold at an affordable price point.

WHAT IS MODIFIED CONSTRUCTION TECHNOLOGY HOUSING? Modified construction technology housing is an alternative method of housing construction that is neither solely stick-built nor 100% modular construction. MSHDA will consider any construction methodology other than traditional stick-built homes.

EVALUATION CRITERIA: All funding determinations will be subject to approval by the Executive Director. Priority distribution will encourage one award per prosperity region. This program concept is designed to encourage small-scale rural community projects in areas where an affordable, high quality rental option is not currently available.

Final award determinations will be made based on regional distribution, timing feasibility, capacity, public/private partnerships, and demonstrated creative use of funding in partnership with other stakeholder financing. Agencies must be able to mobilize quickly to manage and facilitate the project. All funding reservations are at MSHDA’s discretion and will be determined by a competitive scoring process.

AWARD STRUCTURE: The program will be structured as a zero percent repayable/10 year 100% fully forgivable grant, prorated yearly via a 10% balance reduction.

- A written agreement and a recorded regulatory agreement plus a 10-year 100% forgivable (prorated at 10% per year) mortgage and note will be required.
- If the development is sold within the first 10 years, sales proceeds will be required to be allocated to repayment of the MSHDA balance at the time of sale via a payoff letter. Recoverable amount is limited to the construction costs disbursed and therefore reserves and administration expenses will be excluded from the prorated balance calculation. NHID will provide mortgage servicing.
- Eligible funding activities are limited to unit specific construction expenses incurred within the grant term as outlined within the eligible cost categories identified in the written agreement.

- Ineligible costs include planning/pre-award expenditures, demolition and/or land acquisition costs.
- Financing is restricted to no more than fifty percent (50%) of the total construction cost.
- Minimum request amount \$200,000. Maximum request amount \$600,000.
- This is not pre-development funding.
- Development financing must not include tax credits.
- Funding award structure will be based on the number of units being constructed based on a cap of \$200,000 per unit.

2022 PROGRAM PARAMETERS:

- MSHDA Underwriting will be risk-based and primarily focused on construction design, analysis of direct resources including sources and uses necessary to complete the project. A due diligence evaluation will also be conducted to ensure municipal approvals, land control, and leveraging commitments are secured.
- MSHDA will not be enforcing and/or assessing non-MSHDA agency and/or source specific programmatic requirements.
- MSHDA will not require a full design review process to be completed, instead a cursory review and formal property construction standards oversight including interim and final on-site inspections will be conducted, plus ongoing yearly/3-year oversight will be enforced.
- A formal draw schedule will be identified within the grant agreement that reflects Draw 1: 15% at Initial Closing; Draw 2: 35% based on ½ completion; Draw 3: 50% upon final completion and final inspection.
- A cost statement will be required to be provided with each drawn which includes, as applicable, a sworn statement from the contractor and a breakdown of soft costs including associated expense invoices.
- MSHDA will not require a professional management company to be utilized, however a management plan including an assessment of necessary operating reserves to retain development integrity will be required.
- All applicable Neighborhood Stabilization Program - Program Income rules and regulations will be enforced.

MATCH COMMITMENT: There is a 50% total construction cost matching funds commitment required per award as this program is designed to assist but not fully finance developments, therefore, additional partners/stakeholders, and local community support will be necessary and required.

ATTACHMENT INSTRUCTIONS

The attachments below are required to be electronically uploaded in conjunction with the Letter of Interest. Read the description of each attachment carefully. Applicants are highly encouraged to prepare all narratives, letters, maps, and photos required in the Letter of Interest prior to beginning the upload. There is no "save" feature and therefore, the entire submission must be uploaded at one time. Attachments 2-3 must be written in 12-point font size and double-spaced. All required letters must be on letterhead, signed, and dated within 120 days.

Attachment 1: Agency Type Documentation

Attachment 2: Community Need – 4 pages max

Attachment 3: Project Timeline – 2-page max

Attachment 4: Authorizing Resolution and Letter of Support from Submitting Agency

Attachment 5: Letter(s) of Support from Stakeholders/Partnerships/Committed Leverage Funds

Attachment 6: a) Overview Map, b) Photos of Proposed Site & Adjacent Sites, and c) Area Amenities

Attachment 7: Project Budget

Attachment 1: AGENCY TYPE DOCUMENTATION

Determine your appropriate agency type prior to submitting. Please prepare and have attachments ready for submission at the time of applying for these funds.

- **Non-Profit Organization 501(c)(3):** A non-profit organization that is currently servicing the proposed community/neighborhood within the State of Michigan. The applicant's name and address must be the same as the 501(c)(3) Letter from the IRS and on file with the Michigan Department of Licensing and Regulatory Affairs. The applicant must have at least one full-time paid employee; cannot be operating the agency via their principal residence and must have an operating budget exceeding \$30,000 per year, not including MSHDA funded projects.

The 501(c)(3) must upload agency contact information on letterhead AND attach IRS issued 501(c)(3) Letter.

- **For-Profit Entity:** A for-profit limited liability company or limited partnership company that is requesting designation as a Limited Dividend Housing Association (LDHA), please refer to www.michigan.gov/shrp for the LDHA LP MSHDA Provision Document to determine eligibility.

Attachment 2: COMMUNITY NEED - Maximum four pages – 12-point font and double-spaced

Part A - Proposed Small-Scale Rental Construction Project Narrative Description

Provide a clear description of the proposed project.

- Type of Housing Stock being proposed and if any modified technology is being incorporated into the design build? List unit specifications, unit square footage, # of bedrooms, crawlspace or slab foundation, garage, full basement, amenities.
- How is the project anticipated to be maintained after the agreement period?
- What is the anticipated rent price point for the constructed units – include amenity addition fees separately? Is it different between units? If so, why?
- Who is the intended target audience? What is your strategy to market and rent these units, once completed?

- What is the anticipated short-term and long-term impact of the project within the area? Identify what the specific projected outcomes of the addition of affordable rental units will be for the community and region. Identify any workforce housing needs that would be addressed. Explain how outcomes be measured and what kind, if any, catalyst effect is anticipated within the area?
- Describe how the project may lead to capacity building and/or partnerships? Who are you identified partners? Provide a narrative detailing the specific goals and outcomes that will be accomplished and benefit the community and its stakeholders.

Part B: Proposed Area/Site Description

- List legal ownership of the site identified current zoning, and current infrastructure status (road conditions, water/sewer on site) and additional needs.
- Provide the following site detail; list lot acreage, lot dimensions, tree covered, or lot cleared and graded, municipal water and sewer, infrastructure connected to site, road conditions (public, private, recently resurfaced, etc.).
- Provide an overview description of the area/neighborhood composition: describe percentage of rentals vs. homeowner, percentage of vacant lots, type of housing stock (2-bedroom, 3-bedroom, one-story, etc.), and area amenities (schools, shopping, health care, etc.). The descriptions should be reflected via photos in Attachment 6.

Attachment 3: PROJECT TIMELINE - 2-page max 12-point font double-spaced

Provide your anticipated timeline for implementing the program. Include the following anticipated milestones:

- Grant Award
- Program Guidelines
- Notice to Proceed
- Construction Planning: Initial Construction, Completed Construction, and Rent-up of Unit(s).

Attachment 4: AUTHORIZING RESOLUTION AND LETTER OF SUPPORT FROM SUBMITTING AGENCY

Attachment 5: LETTER(S) OF SUPPORT FROM STAKEHOLDERS/PARTNERSHIPS/COMMITTED LEVERAGE FUNDS

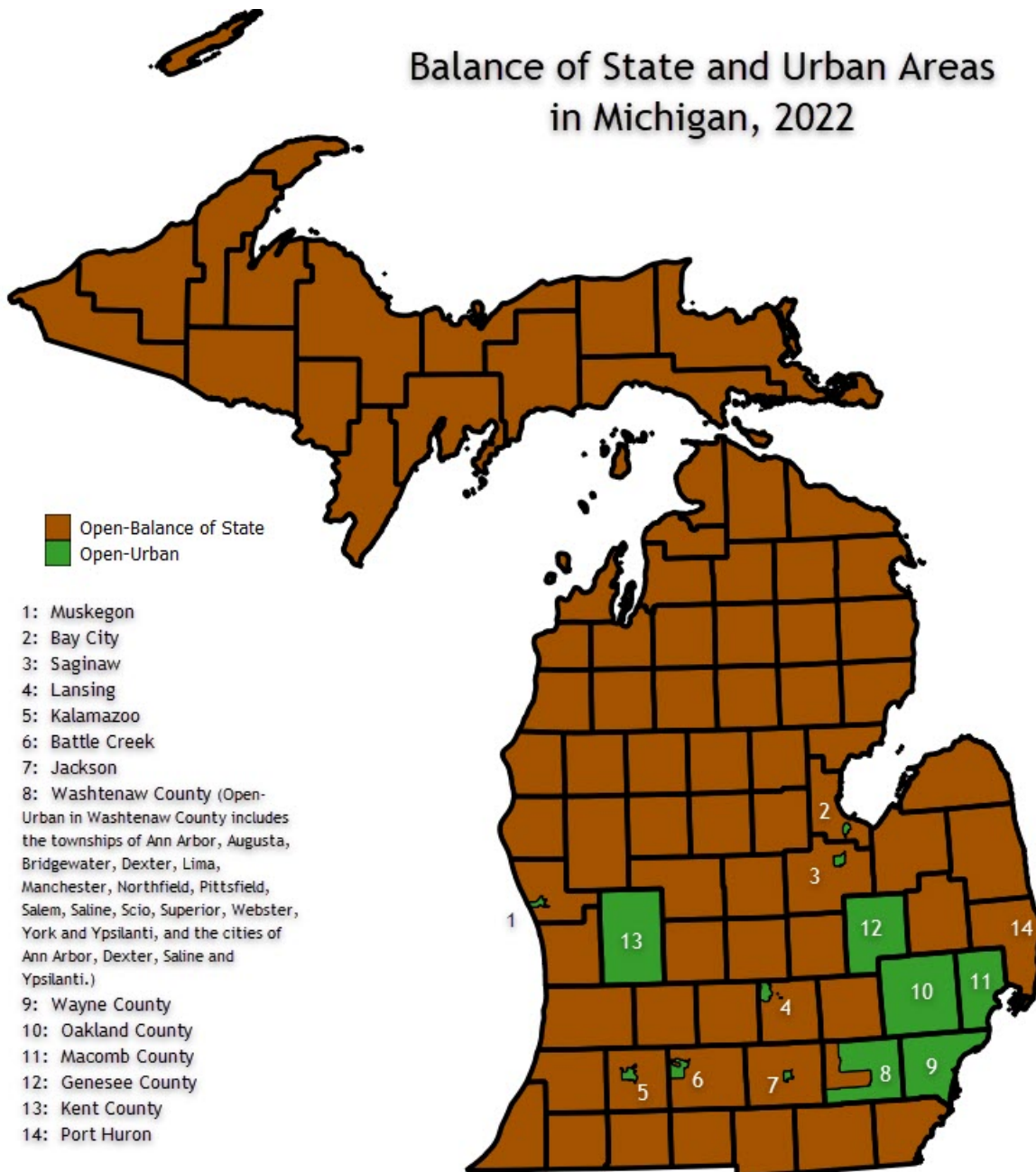
Attachment 6: A) OVERVIEW MAP, B) PHOTOS OF PROPOSED SITE & ADJACENT SITES, AND C) AREA AMENITIES

Attachment 7: PROJECT BUDGET

Prepare a projected budget, listing all funding required for the project by line item, as shown in the example referenced below. In your budget, retain column headings of Activity, MSHDA, Leverage Funds, and Source of Leverage. Sources of leverage can be specific entities or local/state/federal funding, however, only formally committed sources should be included.

Example Budget (per unit)			
Activity	MSHDA	Leverage Funds	Source of Leverage
Land		\$ 20,000.00	Owned by Applicant
Hard Construction Costs	\$ 100,000.00		
Excavation	\$ 5,000.00		
Infrastructure		\$ 5,000.00	City Provided
Foundation	\$ 10,000.00		
Basement/Crawl Space	\$ 5,000.00		
Subcontractors Finishing on Site	\$ 35,000.00		
Utility Installation (Plumbing, Elec. Mechanicals)	\$ 3,000.00		
Appliances	\$ 4,000.00		
Exterior construction/Garage/Porch/Deck	\$ 10,000.00		
Driveway/walkway to driveway	\$ 8,000.00		
Landscaping		\$ 2,000.00	Home Depot Donation
Contingency (10% max) Title Policy, Permits, (pre-approved)	\$ 20,000.00		
Other (subsidy)	\$ -		
	\$ 200,000.00	\$ 27,000.00	

Balance of State and Urban Areas in Michigan, 2022



This is a rural program, therefore areas 1 – 14, highlighted in GREEN are NOT eligible