



HOME ARP – Draft Rental Development Addendum

On March 11, 2021, President Biden signed the American Rescue Plan of 2021 (“ARP”) into law, which provides over \$1.9 trillion in relief to address the continued impact of the COVID-19 pandemic on the economy, public health, State and local governments, individuals, and businesses.

To address the need for homelessness assistance and supportive services, Congress appropriated \$5 billion in ARP funds to be administered through HOME to perform four activities that must primarily benefit qualifying individuals and families who are homeless, at risk of homelessness, or in other vulnerable populations. These activities include: (1) development of affordable rental housing, (2) tenant-based rental assistance (TBRA), (3) provision of supportive services; and (4) acquisition and development of non-congregate shelter units. The program described in this notice for the use of the \$5 billion in ARP funds is the HOME-American Rescue Plan or “HOME-ARP.”

The Michigan State Housing Development Authority (“MSHDA”) was allocated \$63,793,681 of HOME ARP. The following plan describes how MSHDA will utilize the HOME ARP resource throughout the state of Michigan for the development of affordable rental housing.

FUNDING AVAILABILITY

MSHDA will hold a competitive funding round for approximately \$43 million in HOME ARP funding with a deadline for submission as shown in the last section below.

HOME ARP funding will be dedicated to developing housing for eligible populations as defined in the HOME ARP implementation notice. The developments that will be eligible to apply for HOME ARP resources will have similar characteristics to a Permanent Supportive Housing (“PSH”) development whereby there will be various levels of supportive services that are beneficial in assisting residents with their specific needs.

Units designated as PSH will also be eligible for a portion of the HOME ARP funds set aside for Supportive Services. MSHDA has designated \$4 million of HOME ARP (separate from the \$43 million for affordable housing) for the provision of supportive services for PSH tenants. This will be structured as a six-year grant (2025-2030) and is estimated at about \$2,000 per PSH unit per year and will be used to help pay for supportive services. It will not cover the entire supportive services budget and other funding sources will be necessary and must be outlined in the Addendum III. The precise amount per unit will be determined once developments have been scored and the number of total PSH units are known.

GENERAL ELIGIBILITY & FUNDING CONSIDERATIONS

All developments will be required to meet the applicable requirements of MSHDA’s Direct Lending Parameters, Site Selection Criteria, Design Review Standards, and any other

applicable programmatic requirements. In the event there are not enough applications submitted that meet the minimum program requirements, MSHDA reserves the right, in its sole discretion, not to use all of the funding being made available within the competitive funding round.

Eligible Developments

Any new construction, adaptive re-use, or rehabilitation of a multifamily rental housing development in Michigan, including existing affordable housing and small-scale rental developments are eligible to apply.

Eligible developments must meet the requirements of the HOME ARP Implementation notice in order to qualify for funding. At least 35% of the total units in the development must meet the following criteria to be considered Qualifying Units:

1. Homeless (as further defined in the HOME ARP Implementation Notice)
2. At risk of homelessness (as further defined in the HOME ARP Implementation Notice)
3. Fleeing, or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking (as further defined in the HOME ARP Implementation Notice)
4. Other Populations where providing supportive services or assistance under section 212(a) of NAHA (42 U.S.C. 12742(a)) would prevent the family's homelessness or would serve those with the greatest risk of housing instability (as further defined in the HOME ARP Implementation Notice)

Projects will be required to complete an application and applicable exhibits and materials required under Addendum III, which is typically used for projects that incorporate Permanent Supporting Housing units into the development. This will include providing detail surrounding the coordination with appropriate service providers, coordination with the local Continuum of Care, and securing service funding in order to provide the appropriate services to the tenant populations being targeted.

Construction/Rehabilitation Standards

All projects must comply with MSHDA's Multifamily Standards of Design, including completion of a Capital Needs Assessment when applicable for rehabilitation projects. All developments must also comply with Uniform Federal Accessibility Standards and property standards shown at 24 CFR 92.251.

Eligible Costs

HOME-ARP funds may be used to pay for up to 100% of the following eligible costs associated with the acquisition, development, and operation of HOME-ARP rental units:

1. Development hard costs
2. Refinancing – the cost to refinance existing debt secured by a rental project that is being rehabilitated with HOME-ARP funds
3. Acquisition – the costs of acquiring improved or unimproved real property.
4. Related soft costs
5. Relocation costs
6. Costs relating to payment of loans – If the HOME-ARP funds are not used to directly pay a cost, but are used to pay off a construction loan, bridge financing loan, or guaranteed loan, the

payment of principal and interest for such loan is an eligible cost only if: (1) the loan was used for eligible costs, and (2) the HOME-ARP funds are part of the original financing for the project and the project meets the requirements of this Notice.

Form of Assistance

Assistance to projects will be made in the form of secondary, cash flow contingent loans to the project. All HOME ARP loans will be made as subordinate loans, bearing simple interest at 1% annually, and will typically be made with a 50-year term.

Repayment

For HOME ARP loans specifically, in lieu of payments being applied to the HOME ARP loan, payments equal to 50% of surplus cash will instead be deposited into a HOME ARP Subsidy Reserve and will be used to repay the HOME ARP loan periodically (should the amount of funds accumulated in the reserve warrant it), at the end of the loan term, or otherwise used to assist the development if needed. There is no prohibition on prepayment of HOME ARP.

Income/Rent Targeting

All HOME ARP units in eligible projects must be targeted toward households with incomes at or below 30% of the Area Median Income (AMI) and must charge contract rents that are 30% AMI or below in order to be affordable for a 30% AMI household. MSHDA anticipates offering Project Based Voucher assistance to those units designated as Permanent Supportive Housing that are preferenced for households with the highest vulnerabilities that are experiencing literal homelessness (category 1) as defined at 24 CFR 91.5. HOME ARP units that are targeted to extremely low-income households that do not have a high level of supportive service needs (generally within HOME APR qualifying populations 2-4) will not have Project Based Voucher assistance and will occupy 30% AMI rent restricted units.

HOME ARP Program Units

At least 35% of the units in the development must meet the eligible qualifications under the HOME ARP program. This 35% can be made up of both PSH and other HOME ARP qualifying populations targeted units. The maximum per-unit subsidy established in the National Affordable Housing Act does not apply to HOME-ARP units. PJs may pay up to 100 percent of the eligible and reasonable HOME-ARP costs allocated to a HOME-ARP unit, including operating cost assistance associated with units restricted for occupancy by qualifying households.

HOME ARP Tenant Referrals

Referrals for the HOME ARP units must come from the local Continuum of Care's (CoC) Coordinated Entry system. PSH units under a Project Based Voucher HAP contract will have a waiting list established that will be managed by the associated MSHDA HCV Housing Agent. HOME ARP units not under the HAP contract will have a waiting list managed by the property with referrals from the CoC. This process will be further defined in the Memorandum of Understanding between the property and the supportive service team.

Affordability Period

Applicants must commit to keeping HOME ARP units affordable, including all applicable income and rent restrictions, for a period of no less than 15 years from the point of project completion.

ELIGIBLE RECIPIENTS

Applicants for HOME ARP funding must meet minimum qualifications and demonstrate the proficiency of the development team. In addition to meeting the requirements found in the Direct Lending Parameters, within their applications, eligible recipients must also:

- Certify to MSHDA that they will comply with all requirements of the program and that housing units assisted will comply with HOME ARP requirements.
- Demonstrate their financial capacity to undertake, comply with, and manage the eligible activities, including compliance with the federal programmatic requirements, and the financial requirements and standards shown in MSHDA's Direct Lending Parameters.
- Demonstrate that they have the capacity to serve the qualified households and provide the supports necessary through approval of the Permanent Supportive Housing strategy as outlined in the Addendum III.

SELECTION CRITERIA

Projects will apply for funding on date TBD to be considered for HOME ARP Funding. The first criteria of the allocation of the funding will be to achieve geographic distribution. All developments that apply for funding will be categorized according to the Prosperity Region that they are located, with the goal of awarding funding to at least one development in each of the ten Prosperity Regions. However, a scoring criteria will also be necessary in the event that:

1. There is more than one development that applies in each prosperity region, in order to determine which development will be funded.
2. There is not enough funding to award a development in each of the 10 Prosperity Regions, in order to determine which deals will be awarded in which Prosperity Regions
3. Or in the event that funding exceeds the amount needed to award one deal in each prosperity region, in order to determine a ranking of which deals will be funded next.

Below is the scoring criteria that will be utilized.

MSHDA HOME APR Subsidy Efficiency

Projects will be awarded points based on the efficiency of HOME ARP usage with the least amount of MSHDA HOME ARP needed receiving the most points.

- Projects needing less than \$60,000 per HOME ARP unit will receive 12 points.
- Projects needing between \$60,001-75,000 per HOME ARP unit will receive 10 points.
- Projects needing between \$75,001-\$90,000 per HOME ARP unit will receive 8 points.
- Projects needing between \$90,001-\$105,000 per HOME ARP unit will receive 6 points.
- Projects needing between \$105,001-\$120,000 per HOME ARP unit will receive 4 points.
- Projects needing between \$120,001-\$135,000 per HOME ARP unit will receive 2 points.
- Projects needing more than \$135,000 per HOME ARP unit will receive 0 points.

Developing in a High Need Area

Projects will be awarded points under one of the items below based on the number of homeless persons in the county in which the project(s) will be located. Please provide the county's most recent annual literally homeless (category 1) count.

- a. 500 - 1249 literally homeless people in the county **2 Points**
- b. 1250 - 1999 literally homeless people in the county **4 Points**
- c. 2000 - 3500 literally homeless people in the county **6 Points**
- d. 3500+ literally homeless people in the county **8 Points**

Experienced Supportive Housing Development Team

Points will be awarded to a development team that has experience with supportive housing for the target population selected. Experience can be included for LIHTC PSH units or HUD funded PSH units through programs such as HUD 811 or HUD PSH programs through the Continuum of Care. Senior developments do not count towards experience.

- a. General Partner/Member owns and operates 50 or more units of supportive housing. **3 Points**
- b. Management Agent has experience managing 50 or more units of supportive housing. **3 Points**
- c. Lead Agency has experience providing services for 50 or more units of permanent supportive housing. **3 Points**

Medicaid Experience

Developments will receive 6 points if a member of the service team currently bills Medicaid or contracts with a Medicaid billing agency to provide services in a Permanent Supportive Housing, Behavioral Health, or Substance Use Disorder setting. This experience should be highlighted in the Addendum III Application form.

Entity:

Inclusive Tenant Selection Plan

Developments can receive 7 points for furthering Fair Housing by adopting screening criteria that is not more restrictive than the MSHDA Housing Choice Voucher criteria for the Supportive Housing units with MSHDA Project Based Vouchers, with the exception of specific violent property crimes.

Specific On-Site Services

Developments with specific supportive services being offered on-site will be awarded 1 point for each of the services listed below in this area up to a maximum of 4 points. To qualify for these points, a narrative should be included in the Addendum III Application, along with an MOU or letter of intent from the partner agency(ies). Frequency of service must be specified in the supportive services plan.

Please note: Service providers that agree to offer the specific service(s) to the tenant in the tenant's unit will be eligible to count for these points. Further, this scoring item is intended to create more options for tenants and does not create a requirement that a tenant needs to receive the specific service(s) in their unit or at the development if they would prefer to receive the service(s) at a different location. With the exception of certain federal programs, tenants cannot be mandated to participate in any of the offered or available services, nor can non-participation itself be a factor in their lease or rental history. Tenants are not required to participate in the offered services or may choose to participate in these or similar services off-site.

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|----|---|-----------------|--------------------------|
| a. | Out-patient level substance use rehabilitation services | 2 Points | <input type="checkbox"/> |
| b. | Physical or behavioral health services offered by a local Federally Qualified Health Center or hospital system | 2 Points | <input type="checkbox"/> |
| c. | Behavioral health services provided by the local Community Mental Health provider or partner organization | 2 Points | <input type="checkbox"/> |
| d. | Child Care or Head Start type program, youth programming, or other evidence-based youth development initiatives | 2 Points | <input type="checkbox"/> |

Proximity to Transportation

Applicants that can demonstrate that the project is located within 1/4 of a mile from a public transportation stop (i.e. bus stop) or that have a dial-a-ride (curb to curb) transportation service in the community that runs at least 5 days per week. Transportation stops must be within 1/4 mile of the site to qualify for points. Alternatively, a project will be considered for 5 points if the applicant can demonstrate that it will provide a form of transportation to the project that is comparable to or exceeding the service levels (e.g. accessibility, capacity, reliability, practicality, etc...) and scope of a typical fixed route public transportation system. Projects that commit to creating a transportation stop at the development will be eligible to receive points subject to review of the commitment by MSHDA.

"Comparable transportation" should be available a minimum of 5 days per week and have the capacity to adequately serve all the tenants in the development based on the size of the development. The transportation provided should be sufficient to allow each tenant in the development to take at least two trips during the week. For example, a 15 passenger van running two routes per day five days per week would accommodate 150 passengers per week. This would be sufficient to accommodate a 75 unit development, which would require 150 trips per week.

PLEASE NOTE: The score for projects with multiple scattered sites will be determined by a weighted average based on the percentage of the total number of units at the sites that qualify for the points compared to the total units in the project. No partial points will be awarded and points will be rounded down in the case that a project's weighted average score contains fractions of points.

Proximity to Amenities

Developments that are located within the required proximity to the amenities listed below will be awarded up to a maximum of 10 points. Applicants must demonstrate that they are within the required distance from the amenity by submitting a map that clearly highlights the location of the amenity as well as photographs of the specific amenity for which points are being claimed. If the documentation does not clearly demonstrate the proximity to the amenity, points may not be awarded for that amenity. Distances will be measured on a straight line as the crow flies and not according to walking distance. The Required Distance for Urban areas is 1 mile and the required distance for Balance of State areas is 2 miles. Urban and Balance of State areas are defined in Tab GG of the Combined Application. Total points are rounded down to the nearest whole point.

Amenity* Type	Yes/No	Points
Full Service Grocery/Supermarket ⁽¹⁾		0
Pharmacy		0
General Medicine Physician/Clinic		0
Public Library ⁽²⁾		0
Public School ⁽³⁾		0
Community Organization ⁽⁴⁾		0
Bank/Credit Union		0
Employment Center ⁽⁵⁾		0
Public Park ⁽⁶⁾		0
Job Training Center ⁽⁷⁾		0
Food Pantry		0
Maximum Possible Points		0

**MSHDA, in its sole discretion, will determine whether an amenity that is submitted counts as an eligible amenity for points.*

(1) In order to qualify as a full service grocery/Supermarket, it must have a selection of (1) fresh fruits and vegetables, (2) fresh and uncooked meats and poultry, (3) dairy products, (4) canned foods, (5) frozen foods, (6) dry groceries and baked goods, (7) non-alcoholic beverages, (8) household paper products (toilet paper, paper towels, etc.) and (9) personal care items (soap, shampoo, etc.). Please provide evidence of these in the submission.

(2) Little lending libraries, mobile libraries, and libraries inside a school or university will not apply for this section.

(3) School must be free of charge and may not be gender-exclusive (i.e. a girls only or boys only school will not count). Schools must be open to all students of appropriate age, they should not require entrance examinations or requirements.

(4) A Community Organization is one that provides year-round community outreach service(s) to people of the community. These services should be accessible to tenants of the project and may include, but are not limited to clothing closets, free meals, youth programming, senior programming, mental health services, adult continuing education classes and/or cultural activities.

(5) An employment center is a single university or college, single hospital, single governmental entity, or single private company that has at least 250 year-round, full-time employees in one location for Urban developments and at least 125 year-round, full-time employees in one location for Balance of State developments. The project must provide a letter from the employer, a third-party employment agency, or the local body of government stating the number of year-round, full-time employees that work at the location. All employees must be at the same location to receive points.

(6) A public park is a green space designated as such by the local body of government or a public outdoor space traditionally used for human enjoyment and recreation. This might include a public gathering space with a playground, walking trails, public sporting, a pavilion, a band shell or other amenities.

(7) Services at a job training center must be available to the project's tenant base in order to be awarded points. The same location cannot be counted as both a Community Organization and a Job Training Center.

UNDERWRITING AND SUBSIDY LIMITS

All applicants must comply with MSHDA underwriting criteria found in MSHDA's Direct Lending Parameters and adhere to the requirements of other applicable MSHDA programs.

The maximum per-unit subsidy established in the National Affordable Housing Act does not apply to HOME-ARP units. PJs may pay up to 100 percent of the eligible and reasonable HOME-ARP costs allocated to a HOME-ARP unit, including operating cost assistance associated with units restricted for occupancy by qualifying households. All costs paid by HOME-ARP funds must comply with the requirements of the Cost Principles at 2 CFR part 200, subpart E of the Uniform Administrative Requirements, as amended.

Developments applying for HOME ARP funding will be required to leverage other affordable housing resources in an effort to minimize the amount of HOME ARP funding that is required for feasibility. It is the intention that these developments will utilize Tax-Exempt Bond financing which will qualify the development for the 4% Low-Income Housing Tax Credit (LIHTC). Developments should also seek out local HOME ARP funds and other forms of non-MSHDA gap financing. The remaining gap would be covered by HOME ARP resources that will be structured as a simple interest soft loan repayable from available cash flow.

The HOME ARP guidance provides certain flexibility in order to allow the HOME ARP resource to cover a greater percentage of development costs than traditional HOME. This will allow developments to be feasible with 30% AMI PSH units without the need for Project Based

Rental Assistance. All HOME ARP units in the development will be limited to 30% AMI for purposes of rent and income targeting. HOME ARP funding will be available to cover the costs of those HOME ARP units in the development. For example, if a development has 40% of its units designated as HOME ARP units at 30% AMI, HOME ARP would be eligible to cover up to 40% of the Total Development Cost for the project (based on eligible costs). The remaining 60% of the project costs would need to be covered by Tax-Exempt Bond funding, 4% LIHTC, and other funding resources that the development is able to secure.

It is anticipated that Tax-Exempt Bond Financing, 4% LIHTC, and HOME ARP funding will cover the majority of the financing for these developments. Applicants are encouraged to seek other financing sources or to seek Project Based Vouchers from local housing commissions in order to promote the efficient use of HOME ARP resources.

Projects will be subject to the rules and requirements under the Direct Lending Program Parameters, the Addendum III PSH guidelines, and will be required to complete a Subsidy Layering Review.

ROUND 3 - APPLICATION SUBMISSION TIMELINE/REQUIREMENTS

ALL DATES ARE TENTATIVE

- **October 21, 2022** Release of NOFA
- **January 30, 2023** Application and Addendum V Exhibit Documents Due
- **February 28, 2023** Application Rankings Released and Invitation to Continue Processing
- **May 20, 2023** Commitment Package Due
- **June 20, 2023** Commitment Awards of HOME ARP Announced
- **Next Board Meeting** MSHDA Board Presentation/Decision
- **Within 90-120 Days** All awardees made have closed on all financing