



STATE OF MICHIGAN

JENNIFER M. GRANHOLM
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

KEITH MOLIN
EXECUTIVE DIRECTOR

**August 5, 2009
MEMORANDUM**

TO: OCD Grantees

FROM: Bill Parker, Director Of Field Services *Bill Parker*
Office of Community Development

RE: Changes in Homeowner Rehabilitation Parameters for HRF 2009 Fall Window

MSHDA's Office of Community Development (OCD) is announcing changes in the parameters for our homeowner rehabilitation program. These changes are in the form of:

- A set-aside for programs specifically designed to improve neighborhoods through the promotion of homeowner rehabilitation in target areas where other MSHDA investments have occurred.
- A change designed to improve homeowner rehabilitation (HO) program design for all OCD HO Grantees

Set-Aside for Targeted Areas:

Eligible Applicants:

To qualify for the set-aside an applicant must meet the following criteria:

- Must be a current OCD grantee or a grantee within the last two years who has completed at least ten rehabilitation projects in the past five years. These projects can be homeowner rehabilitation, rental rehabilitation, acquisition development (involving rehabilitation) resale (ADR), and/or home purchase with rehabilitation (HPR)
- Must be a Grantee in good standing, which means
 - acceptable progress on all current grants,
 - up to date on all OPAL activities
 - all audits and other financial records submitted to MSHDA
 - no unresolved findings relative to MSHDA monitoring

Eligible Target Areas

The target area must be a geographic area where other MSHDA OCD investments and/or where other MSHDA designations exist. Preferably the area would be where at least 10 OCD funded units exist. These target areas could be MSHDA NPP, Mainstreet, Blueprint, Downtown Rental Rehabilitation, or other target areas where several ADR or HPR units have been developed. Additionally, NSP target areas would be eligible if MSHDA NSP funds are committed to the target area.



Project limits: There can be up to \$35,000 in OCD funds in each project, there must be at least \$5,000 in other funds in each, but we encourage leverage of 1 to 1 (a \$25,000 project would have \$12,500 in OCD and \$12,500 in other funds). There is no maximum for other funds in the project.

Project requirements: The property must be brought up to the property maintenance code and HUD minimum housing quality standards (HQS). An energy audit must be performed on the home and the audit is an eligible project cost. The property must meet a high energy standard comparable to a 4 or 5 star HERS rating after rehab.

Any exterior improvements required to make the home an appealing asset to the neighborhood – siding, porch improvement, landscaping etc., must be included in the project.

Homeowner incentives – In the past OCD has required that homeowner rehab. be in the form of a 100% deferred loan, however these targeted rehabilitation funds can be 50% forgivable (over 5 years) and 50% deferred and repayable at time of sale or transfer of the property. Additionally, other funding in the project could also be a grant such as DOE funds, or forgivable over time (FHLB NIP funds).

Collaboration/Leverage Agreement – A grantee must have an agreement of participation with at least one other funder who will invest at least \$5,000 per project into your projects. This could be with a Federal Home Loan Bank (FHLB) member or a local Community Action Agency, or USDA RD, MSHDA PIP. We would encourage agreements with several other funders. Copies of leverage agreements must be submitted with Grant Application. Sample leverage agreements are attached.

PJ Match – If the target area is in a HOME Participation Jurisdiction, MSHDA would like to see the PJ provide dollar for dollar match to the MSHDA funding in the neighborhood for housing projects. The housing projects funded by the PJ may be homeowner, homebuyer, or rental projects.

Dollar for Dollar Leverage in lieu of PJ Match - If a grantee cannot get dollar for dollar match from the PJ, we will allow participation if the Grantee can leverage each project dollar for dollar with other funding sources.

Overall Grant Leverage: In addition, to each project having at least \$5,000 in leverage funds, the Grantee must achieve an overall leverage on the Grant of at least 25%.

Application deadline: Applications must be submitted on-line between September 14 and 25 2009, during the scheduled HRF window.

Other Program Change:

The following change will soon be available for ALL Homeowner Activities for new and existing grants. Grantees will be advised once this change has been made on OPAL.

Grantee Incentives: MSHDA OCD will pay up to 10% project soft costs for all leverage funds in the project, as well as up to 10% soft costs (HOME or MSHDA), or up to 2% (CDBG) for the OCD funding in the project. Additionally, Grantees will receive administration funds for the

overall grant for general administration (see OCD policy bulletin 21 for details for eligible administrative and/or project costs.).

NOTE: If the grantee or 3rd party administrator is already getting paid administrative fees on the leverage funds, they cannot also charge soft costs for that funding to MSHDA. Example if a Community Action Agency is getting paid administrative funds to provide weatherization funds to a home that they are also rehabilitating with MSHDA CDBG or HOME funds, they cannot charge soft costs to the MSHDA grant for those funds.

If you have any questions, please contact your Community Development Specialist.

attachments

SAMPLE

Michigan State Housing Development Authority Office of Community Development Collaboration/Leverage Agreement

The **City of Spartan Michigan** aka “**the Applicant**” is applying to the MSHDA Office of Community Development for funding through the Housing Resource Fund (HRF) fall 2009 window, for a targeted homeowner rehabilitation program in the City of **Spartan**.

If funded by MSHDA The applicant and **Chemical Bank of Spartan (a FHLBI lender)** AKA “the leveraging partner or LP” agree to work together to fund projects in the target area(s). To the extent that the homeowner qualifies for the funding and the leveraging partner (LP) has funds available, the LP will provide funding to the project. The maximum amount the LP can generally provide to the project is **\$10,0000**.

The name of the funding program that the LP participates in is called **the Federal Home Loan Bank of Indianapolis (FHLBI) Neighborhood Impact Program (NIP)**. The total amount of funds that the LP may have for this program is **\$600,000**, during the time period beginning **March 1, 2009 and ending February 28, 2010**. However the LP can make no guarantee as to how long funding may last, or how much of the funds will actually be available.

The contact information for the LP is:

Organization Name Chemical Bank of Spartan

Adress 124 Main St., Spartan Michigan 48840

Contact person Ms. Jane Izzo

Phone # 333-327-2001 e-mail jizzo@chembk.com

Joe Johnson, Mayor City of Spartan

Jane Izzo Vice-President Chemical Bank

**Michigan State Housing Development Authority Office of Community Development
Collaboration/Leverage Agreement**

The _____ is applying to the MSHDA Office of Community Development for funding through the Housing Resource Fund (HRF) fall 2009 window, for a targeted homeowner rehabilitation program in the City of _____.

If funded by MSHDA The applicant and _____ AKA “the leveraging partner or LP” (FHLB lender, or USDA RD, or Community Action Agency or MSHDA PIP lender, etc -) agree to work together to fund projects in the target area(s). To the extent that the homeowner qualifies for the funding and the leveraging partner (LP) has funds available, the LP will provide funding to the project. The maximum amount the LP can generally provide to the project is _____.

The name of the funding program that the LP participates in is called _____
The total amount of funds that the LP may have for this program is _____,
during the time period beginning _____ and ending _____.
However the LP can make no guarantee as to how long funding may last or how much of the funds will actually be available.

The contact information for the LP is :

Organization Name _____

Address _____

Contact person _____

Phone # _____ e-mail address _____

Signature (applicant)

Signature (LP)