

THE NSP SUBSTANTIAL AMENDMENT

<p>Jurisdiction(s):</p> <p><u>State of Michigan/Michigan Sate Housing Development Authority</u></p> <p>Jurisdiction Web Address: http://www.michigan.gov/mshda/0,1607,7-141-7559_9643_9727-202883--,00.html</p> <p><i>(URL where NSP Substantial Amendment materials are posted)</i></p>	<p>NSP Contact Person: Mr. Keith Molin Address: 735 E. Michigan Avenue Lansing, Michigan 48912 Telephone: (517) 373-6022 Fax: (517) 373-7657 Email: molink@michigan.gov</p>
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A. AREAS OF GREATEST NEED

Provide summary needs data identifying the geographic areas of greatest need in the grantee’s jurisdiction.

***Note:** An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; states must include the needs of communities receiving their own NSP allocation. To include the needs of an entitlement community, the State may either incorporate an entitlement jurisdiction’s consolidated plan and NSP needs by reference and hyperlink on the Internet, or state the needs for that jurisdiction in the State’s own plan. The lead entity for a joint program may likewise incorporate the consolidated plan and needs of other participating entitlement jurisdictions’ consolidated plans by reference and hyperlink or state the needs for each jurisdiction in the lead entity’s own plan.*

HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult this data, in developing this section of the Substantial Amendment.

Response:

Under Title III of Division B of the Housing and Economic Recovery Act (HERA), the Congress has appropriated \$3.94 billion for an initiative which HUD has called the Neighborhood Stabilization Program (NSP). Title III provides that:

- ...any State or unit of general local government that receives amounts pursuant to this section shall in distributing such amounts give priority emphasis and consideration to those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate income areas, and other areas with the greatest need, including those—
- (A) with the greatest percentage of home foreclosures;
 - (B) with the highest percentage of homes financed by a sub-prime mortgage related loan; and
 - (C) identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures.

HUD published NSP regulations on September 29, 2008, along with allocations to State and general local governments. In these regulations HUD specified that an application for NSP funds will include:

- a. General information about needs, distribution, use of funds, and definitions:
 - i. Summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction. (A state must include the needs of the entire state and not just the areas not receiving an NSP allocation...)

The Michigan State Housing Development Authority (MSHDA) has developed data pursuant to the Act and this regulation, starting with data provided by HUD.

HUD has provided data on the methodology used to calculate allocations for the 22 Michigan cities that it has funded directly. While the data provided by HUD for the balance of the state was less complete than the data provided for these 22 cities, MSHDA was able to work with it to develop a model for determining relative measures of need for NSP funds for all parts of the state.

MSHDA's determination of priority for funding includes three critical variables, all based on HUD's data:

(1) **Foreclosure and risk of future foreclosure.** The projected foreclosure rate for the county or local unit, computed as an average of the rate for each census tract in the unit projected by the HUD model. This combined projected foreclosure rate includes data on the number of foreclosures and the rate of subprime lending.

(2) **Housing vacancy.** In order to implement the legislative intent of using these funds to address foreclosed and abandoned housing, MSHDA has included the local vacancy rate based upon the average of census tracts as reported by HUD from U. S. Post Office survey data.

(3) **Low-income population.** To address the foreclosure problem nationwide, HUD has based its allocation on local population at or below 120 percent of area median income; indeed, the foreclosure problem nationwide is a result of a mix of (a) the loss of homes by low-income owners affected by job loss and predatory lending, and (b) the loss of homes by upper-middle and upper-income families who stretched their household budgets to be able to afford a home and who are now being displaced because of resetting adjustable rates and the drop in housing values which has limited their refinancing options. In Michigan, however, the a generally affordable housing market has typically provided a range of options for families above median income; fewer upper-income families have been over-extended to buy homes, and the neighborhood impacts of foreclosure are far more deeply felt in low and moderate income neighborhoods. As a result, MSHDA has applied a factor based on the population at or below 50 percent of poverty level, in order to assure that sufficient resources are targeted at neighborhoods characterized by foreclosure and abandonment.

A note on university communities: while college students are low-income, their presence in a community does not contribute to a local foreclosure or abandonment problem. As a result, the low-income population rates for three communities were adjusted for extreme concentrations of college students relative to the rest of the population; Those communities were Ann Arbor in Washtenaw County, East Lansing in Ingham County, and Isabella County (Mt. Pleasant).

In summary, the low-income population data, foreclosure rate projections and projected vacancy rates are combined to result in a relative share of funding compared to other regions of the state. The net effect of these steps was to prioritize funding for high poverty communities with high projected foreclosure rates and high vacancy rates relative to other communities.

In order to create manageable funding targets on a statewide basis, these dollar amounts are then aggregated into totals for various regions. These totals represent relative funding targets for NSP-funded projects in all parts of the State. MSHDA expects to prioritize funding for NSP projects in various regions of the state until their region's relative need—based on the funds available and the formula targets—has been reached. Regions will still be eligible to apply, and be funded for, projects in excess of these targets, based on the funding remaining available and the capacity of various parts of the State to implement projects commensurate with their relative need.

B. DISTRIBUTION AND USES OF FUNDS

*Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. **Note:** The grantee's narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.*

Response:

Section A. above identifies the methodology MSHDA used to identify the areas of greatest need using the three stipulated need criteria. Targeted distribution amounts were identified for 1) Non-NSP Entitlement Cities, 2) Set-aside for Innovative Projects and/or Projects Addressing Urgent Need, 3) Balance of the State of Michigan, and 4) Michigan Land Bank Fast Track Authority.

- 1. Non-NSP CDBG Entitlement Cities.** CDBG entitlement cities nationwide with NSP allocations under the HUD formula of less than \$2 million were not awarded NSP funds directly from HUD. Instead, those areas amounts were added to the “balance of state” allocation and awarded to the state government. The State of Michigan has determined that it will allow seventeen (17) CDBG entitlement cities

with NSP allocations between \$500,000 and \$2 million, to apply to MSHDA for an award of NSP funds up to the amount determined by HUD's method. These cities must in their applications:

- Give priority consideration to their areas of greatest need, based on the criteria for states and localities listed above. The amounts for which these 17 cities are eligible to apply are shown in Table 1 (see page 7)
- Propose activities which are consistent with this plan and with the NSP regulations as published by HUD on September 29, 2008.

Upon approving an application for NSP funds from these cities, MSHDA will issue an award for a *portion* of this maximum amount, along with conditions for timely expenditure of funds on activities consistent with the approved proposal. As the locality meets these conditions, it will be eligible to request that this award incrementally increased, up to the full eligible amount. MSHDA is allocating up to \$21.75 million from its \$98.6 million allocation of NSP funding for these communities.

While MSHDA will fund additional activities in these communities, MSHDA does not expect to award funds directly to these local governmental units until (a) their initial awards from MSHDA are fully committed, (b) MSHDA has reviewed these activities to determine that they are in compliance with NSP regulations, and (c) progress made on these activities assures eventual completion.

MSHDA *will not* fund NSP Entitlement Cities and Counties directly at this time. MSHDA will award further funds within these communities through local partners, such as nonprofit organizations, CHDOs, land banks or for-profit developers, under the statewide funding priorities.

MSHDA reserves the right to fund NSP Entitlement Cities and Counties at a later point. MSHDA will review its program performance after ten months and if there are sufficient funds uncommitted, will consider funding requests from NSP Entitlements under the conditions set forth above for additional funding to Non-NSP Entitlement Cities.

2. Innovative Projects and/or Projects Addressing Urgent Needs. In order to assure that a provision is made for the development of new revitalization strategies and the flexibility to address emerging needs over the 18 month NSP grant period, \$10 million is set aside to fund projects anywhere in two areas:

- Innovative projects. Such projects will demonstrate extraordinary innovation in the area of affordable housing development and/or neighborhood stabilization. Such projects may include extraordinarily cost-effective strategies or projects which serve multiple objects, such as the incorporation of workforce development components.

- Projects addressing urgent need. Such projects may be funded to address an NSP eligible need for which the applicant documents an inadequate provision in both the HUD and MSHDA deployment of resources. Such a determination is likely to be made only after both the HUD and MSHDA amounts allocated for these areas are fully committed.

3. Balance of the State of Michigan. The balance of the State of Michigan not addressed above includes (a) the CDBG-entitlement cities with HUD-calculated NSP amounts under \$500,000 and (b) the non-CDBG entitled areas comprising the balance of the State. For these areas, MSHDA has determined a geographic priority for the distribution of funds according to the criteria for states and localities, using the criteria described above in Section A.

These areas and the measure of their relative need as determined above are indicated in Table 2 (See page 8). These amounts reflect the amount of relative unmet need under MSHDA’s calculations that is unmet *taking into account* any direct allocation already made to NSP-entitlements directly from HUD. Up to the amount of funds listed in this table, MSHDA will prioritize these areas for funding where:

- The local applications identify the greatest unmet needs according to the criteria described above for states and localities and address them appropriately.
- Propose activities which are consistent with this plan and with the NSP regulations as published by HUD on September 29, 2008.
- The application is made by an eligible local partner other than an NSP-entitled unit of local government. (Note: this restriction may not apply if the unit of local government has met the following requirements: (a) their initial awards from HUD or MSHDA are fully committed, (b) MSHDA has reviewed these activities to determine that they are in compliance with NSP regulations and the city’s NSP application for funding, and (c) sufficient progress has been made on these activities which to assure eventual completion.

The method for this prioritization will be explained in the Request for Proposals to be issued by MSHDA, but it is expected that MSHDA will make these areas eligible for a “bonus point” mechanism until relative need is met.

Example: If an area defined in Table 2 has a MSHDA identified need for \$1 million in funding, applications for funding from other local partners for that area may be eligible for bonus points for their application until this additional need has been addressed through NSP funded projects from MSHDA.

Funding for these activities may be provided through any of the following:

- Competitive proposals submitted by local community development partners, such as nonprofit organizations, units of local government, and land banks under funding rounds conducted by MSHDA.

- Individual projects proposed by nonprofit organizations (including nonprofit developers and homeownership counselors) and for-profit developers.
- Fees paid to homeownership counseling organizations in the existing LINKS counseling network with NSP funds
- Transfers of multiple parcels to state and local land banks and other local development partners.

4. **Michigan Land Bank Fast Track Authority (MLBFTA).** The MLBFTA has a portfolio of NSP eligible properties that require demolition, site clearance and maintenance for the allowable 10 year holding period as well as properties suited for rehabilitation and resale. These properties are located throughout the state however; a majority is located in Detroit and Out Wayne County. As demonstrated by HUD’s NSP funding allocation to Detroit and Wayne County, this area is among the highest need area for the state. MSHDA is awarding up to \$10 million to the MLBFTA from the \$58.21 million prioritized for the unmet needs in the balance of sate.

Summary of priority for resources. In order to assure that NSP funds are expended in a timely manner, MSHDA is not “allocating” resources to eligible activities within specific geographic areas. MSHDA is prioritizing resources according to the following methodology:

NSP allocation to the State of Michigan	\$98,653,915
Priority for 17 CDBG Entitlement Cities not receiving a direct NSP HUD allocation (includes 10 percent admin), See Table 1	<u>\$21,750,000</u>
Balance	\$76,903,915
10 percent administrative costs	<u>\$ 7,690,391</u>
Balance	\$69,213,524
Set-aside for projects demonstrating innovation or Addressing urgent need	<u>\$10,000,000</u>
Balance to allocate under MSHDA determination of needs, See Table 2	\$59,213,524

Distribution and Uses of Funds. MSHDA has identified eligible end uses under the eligible NSP Use which are described in more detail in the following section of this grant submission. MSHDA has also determined the eligible applicants by eligible end use and the associated unit counts (see Table 3 on page 9). The final determination is dependant on the applications received in response to the NSP Request for Proposals and from direct activities administered by MSHDA and the MLBFTA.

TABLE 1**MSHDA ELIGIBLE NON-NSP ENTITLEMENT CITIES**

Entitlement City	County	Available to Award
Ann Arbor	Washtenaw	\$ 850,000
Battle Creek	Calhoun	\$ 1,950,000
Bay City	Bay	\$ 550,000
Benton Harbor	Berrien	\$ 200,000
Dearborn Heights	Wayne	\$ 1,800,000
Farmington Hills	Oakland	\$ 1,300,000
Jackson	Jackson	\$ 1,700,000
Kalamazoo	Kalamazoo	\$ 1,700,000
Livonia	Wayne	\$ 1,450,000
Muskegon	Muskegon	\$ 1,450,000
Muskegon Heights	Muskegon	\$ 400,000
Port Huron	St. Clair	\$ 1,250,000
Roseville	Macomb	\$ 1,450,000
Royal Oak	Oakland	\$ 1,000,000
Saginaw	Saginaw	\$ 1,600,000
St. Clair Shores	Macomb	\$ 1,750,000
Wyoming	Kent	\$ 1,350,000
TOTAL		\$21,750,000

TABLE 2**REGIONS PRIORITIZED FOR NSP INVESTMENT**

The following regions of the state will receive priority for MSHDA funding under NSP (in addition to the CDBG entitlement city funding direct from HUD or MSHDA as described elsewhere in this plan) up to the following amounts. CDBG entitlements receiving funding from HUD, or invited to apply to MSHDA in Table I, are not eligible for funding from these amounts, except as specified in the plan. Funding for local projects may be greater or less than the amounts specified below in each region.

Counties	Amount
Upper Peninsula: Gogebic, Ontonagon Houghton, Baraga, Keweenaw, Iron, Dickinson, Menominee, Delta, Schoolcraft, Marquette, Alger, Luce, Mackinac, Chippewa	\$ 1,796,277
Northern Lower Peninsula: Charlevoix, Emmet, Cheboygan, Presque Isle, Antrim, Otsego, Montmorency, Alpena, Leelanau, Benzie, Grand Traverse, Kalkaska, Crawford, Oscoda, Alcona, Manistee, Wexford, Missaukee, Roscommon, Ogemaw, Iosco, Mason, Lake, Arenac	\$ 2,700,567
Mid-Central: Osceola, Clare, Gladwin, Mecosta, Isabella, Midland, Gratiot	\$ 1,697,441
West-Central: Oceana, Newaygo, Muskegon, Ottawa, Kent, Montcalm, Ionia, Allegan, Barry	\$ 5,653,288
Capital Area: Clinton, Shiawassee, Eaton, Ingham, Livingston	\$ 2,961,846
Bay-Saginaw-Genesee	\$ 4,706,434
Thumb: Huron, Tuscola, Sanilac, Lapeer, St. Clair	\$ 1,469,994
Southwest: Berrien, Van Buren, Cass, Kalamazoo, St. Joseph	\$ 2,520,871
South: Calhoun, Jackson, Washtenaw, Branch, Hillsdale, Lenawee, Monroe	\$ 3,221,089
Oakland	\$ 3,657,535
Macomb	\$ 2,324,056
Wayne (excluding City of Detroit)	\$ 5,442,241
City of Detroit	\$21,061,885
TOTAL	\$59,213,524

TABLE 3

DISTRIBUTION AND USES OF NSP FUNDS

NSP ELIGIBLE USE	ELIGIBLE APPLICANTS (METHOD OF APPLICATION)	ELIGIBLE END USE	# NSP UNITS/\$
1. Financing mechanisms-interest reduction on MSHDA direct lending mortgages. (Eligible Use A)	MF Nonprofit or For-Profit (FP) Developers (Direct)	Rental (MF Developments)	100 units total \$1 million
2. Acquisition,/rehabilitation, redevelopment of abandoned and foreclosed homes and residential properties. (Eligible Use B)	Nonprofits (RFP) Local Units of Government (LUGs) (RFP) Nonprofit (NP) and For-Profit Developers (Direct) Land Banks (RFP or Direct)	Rental (SF and MF) Homeownership	150 units <u>150 units</u> 300 units total \$18 million
3. Displacement prevention for foreclosed properties. (Eligible Use B)	Nonprofits (RFP) LUGs (RFP) Homeownership Counseling Agencies (RFP)	Rental/Homeownership	135 units total \$7.7 million
4. Land Banks (Eligible Use C)	Existing or newly formed land banks under Michigan law (RFP or Direct)	Acquisition and disposition or maintenance of property	200 units <u>25 units</u> 225 total \$4 million
5. Demolition of blighted structures. (Eligible Use D)	Nonprofits (RFP) LUGs (RFP) Nonprofit/ For-Profit Developers (Direct) Land Banks (Direct)	Site clearance for future (within 10 years) redevelopment	1,000 units 400 units <u>600 units</u> 2,000 units total \$20 million
6. Redevelopment of demolished or vacant properties. (Eligible Use E)	Nonprofits (RFP) LUGs (RFP) Nonprofit/ For-Profit Developers (Direct) Land Banks (RFP or Direct)	Rental (SF and MF) Homeownership Public Facilities	170 units 5 pub facilities 50 units 80 N.C units <u>140 units</u> 440 units & 3 pub facilities \$38 million
Administration	MSHDA and Grantees	Administrative Costs	\$9.9 million
Total			\$98.6 million

LUGs = Local units of government

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of “blighted structure” in context of state or local law.

Response:

A blighted property is a blighted/abandoned/uninhabitable property that meets any of the following criteria:

- Declared a public nuisance in accordance with local housing, building, plumbing, fire, or other related code or ordinance.
- Attractive nuisance because of physical condition or use.
- Fire hazard or is otherwise dangerous to the safety of persons or property.
- Has had utilities, plumbing, heating, or sewerage disconnected, destroyed, removed, or rendered ineffective for a period of 1 year or more so that the property is unfit for its intended use.

*(2) Definition of “affordable rents.” **Note:** Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program – specific requirements such as continued affordability.*

Response:

MSHDA will adopt the HOME definition of “affordable rents” at 24 CFR 92.252 (a), (c), and (f).

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Response:

MSHDA will adopt the HOME programs standards for ensuring continued affordability as defined at 24 CFR 92.252 (e) and CFR 92.254.

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Response:

MSHDA will require that all NSP funded activities be completed in compliance with local codes and standards.

D. LOW INCOME TARGETING

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: \$4.37 million.

Note: At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.

Response:

The estimated amount of NSP funds to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties that will meet the requirement that 25% of funds be used to serve households with incomes at or below 50% of area is \$4.37 million.

It is anticipated that an additional \$21.25 million needed to meet this will be met through other rental activities eligible under the State of Michigan’s NSP Program.

Rental activities will include both single family and multifamily housing. Due to market conditions in Michigan at this time the majority of activities performed by our local partners will be rental in nature.

MSHDA also anticipates providing NSP funds as either interest reduced or gap financing for multifamily housing developed in conjunction with MSHDA direct loan financing or possibly, the Low Income Housing Tax Credit Program. Both of these programs require that a minimum of 25% of the units serve households below 50% of area median income.

E. ACQUISITIONS & RELOCATION

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., ≤ 80% of area median income).

If so, include:

- *The number of low- and moderate-income dwelling units—i.e., ≤ 80% of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.*
- *The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., ≤ 120% of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).*
- *The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.*

Response:

MSHDA is using an RFP method of distribution for the majority of the NSP funding. It is impossible to accurately determine how many low- and moderate-income dwelling units will be demolished or converted. However, if HUD considers blighted, uninhabitable and unsuitable for rehabilitation units as “low/mod”, then we anticipate demolishing approximately 1,675 units through Activities B, C and D. It is believed approximately 500 units will be made available to households whose income does not exceed 50 percent of area medium income.

F. PUBLIC COMMENT

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

Note: proposed NSP Substantial Amendment must be published via the usual methods and posted on the jurisdiction's website for no less than 15 calendar days for public comment.

Response:

RESERVED

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name:

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent).

(7) Total Budget: (Include public and private components)

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

(9) Projected Start Date:

(10) Projected End Date:

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities, include:

- duration or term of assistance;
- tenure of beneficiaries--rental or homeownership;
- a description of how the design of the activity will ensure continued affordability

Response:

**NSP SPECIFIC ACTIVITY INFORMATION:
1. FINANCING MECHANISMS**

A. Activity Name: Financing Mechanisms

B. Activity Type: (include NSP eligible use & CDBG eligible activity)

- NSP Eligible Use: A. Financing mechanisms
- CDBG Eligible Activities: Reduced interest rates financing on multifamily housing developments

C. National Objective: (Must be a national objective benefiting low and moderate income persons, as defined in the HERA—i.e., $\leq 120\%$ of area median income)

The activity will assist households with incomes less than or equal to 120 percent of area median income.

D. Projected Start Date: February 1, 2009

E. Projected End Date: June 1, 2010

F. Responsible Organization: (Include name and address)

Michigan State Housing Development Authority
735 E Michigan Avenue, P. O. Box 30044
Lansing, MI 48909

G. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Activities will be conducted in locations consistent with areas of identified need listed in Sections I. A. and B. above.

H. Activity Description: (Include area of greatest need; expected benefit to income-qualified persons; tenure of beneficiaries--rental or homeownership; duration or term of assistance; discount rate--if includes acquisition of real property; range of interest rates--if any.)

Activity Description: Development of multifamily housing in neighborhoods which are more stable but at-risk, as a deterrent to further disinvestment through nonprofit or for-profit developers with identified capacity. MSHDA will provide interest rate buy downs or gap financing to borrowers seeking direct funding from MSHDA's Multifamily Lending programs to acquire, rehabilitate and/or redevelop NSP eligible properties including those that are abandoned, foreclosed or vacant due to previous demolition and located in greatest need neighborhoods impacted by foreclosure.

Discount Rate: Where acquisition is required, properties will be acquired at a discount from the appraised market value in their as-is condition. MSHDA will seek to achieve a discount rate of 10% across all the properties assisted under this activity, with a minimum discount of 5%.

Range of Interest Rates: NSP funds will be used to buy down the offered interest rate by up to 200 basis points, increasing the mortgage that can be supported by the assisted property. The upfront cost of the interest rate reduction will be calculated using net present value of the reduction in the monthly payment for a period of up to 25 years. Because loans are underwritten based on a 35 year amortization, for every \$1 in NSP funds used to buy down the interest rate, developments will be able to amortize approximately \$1.20 in additional debt.

Duration or term of assistance: NSP funds used to provide interest rate buy downs will be secured as soft financing within a project repayable without interest upon sale or refinancing of the development or forgiven upon successful completion of the affordability period of up to 35 years. Rent payments received will be used for the normal costs associated with rental property or commercial property ownership, including debt service, utilities and insurance, management costs, operating and replacement reserves. Rent revenues not used for these purposes will be considered program income; rent revenues received 60 months or more after the inception of the program will be returned to HUD unless otherwise approved by the Secretary.

For housing activities, how the design of the activity will ensure continued affordability:

MSHDA will require that units developed for rental is managed by a management entity approved by MSHDA for the management of these properties. The management entity will be familiar with HOME rental affordability requirements. Affordability will be assured by a regulatory agreement which will assure compliance with the affordability requirements and terms of affordability set forth in the relevant sections of 24 CFR 92.252.

Are funds used to provide housing for persons whose incomes do not exceed 50% of area median? If so, include the estimated percentage of funds used for this purpose.

MSHDA estimates that 20 percent of the funds under this activity will be used to assist households at or below 50 percent of area median income.

I. Budget:

\$1,000,000, not including the revenue generated by the repayment of program income resulting from rental revenue over and above operational requirements.

J. Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

MSHDA estimates that \$1 million will be used to develop 100 housing units, serving the following income groups:

- <50% AMI: 20 units
- 51-80% AMI: 70 units
- 81-120% AMI: 10 units

NSP SPECIFIC ACTIVITY INFORMATION
2. REDEVELOPMENT OF ABANDONED AND FORECLOSED PROPERTIES

A. Activity Name: Redevelopment of Abandoned and Foreclosed properties

B. Activity Type: (include NSP eligible use & CDBG eligible activity)

- NSP Eligible Use
 - B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties
- CDBG Eligible Activities
 - 570.201 (a) Acquisition
 - 570.201 (b) Disposition
 - 570.201 (i) Relocation
 - 570.201 (n) Direct homeownership assistance
 - 570.202 Eligible rehabilitation and preservation activities for homes and other residential properties (may include counseling for those seeking to take part in this activity)

C. National Objective: (Must be a national objective benefiting low and moderate income persons, as defined in the HERA—i.e., \leq 120% of area median income)

The activity will assist households with incomes less than or equal to 120 percent of area median income.

D. Projected Start Date: February 1, 2009

E. Projected End Date: June 1, 2010

F. Responsible Organization: (Include name and address)

Michigan State Housing Development Authority
735 E Michigan Avenue, P. O. Box 30044
Lansing, MI 48909

G. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Activities will be conducted in locations consistent with areas of identified need listed in Sections I. A. and B. above. MSHDA expects to strategically invest these funds:

- In established target areas served by high-capacity local partners, including nonprofit organizations, CHDOs units of local government and local land banks
- To respond quickly to redevelop individual properties in neighborhoods which are more stable but at-risk, as a deterrent to further disinvestment through local partners with identified capacity.

H. Activity Description: (Include area of greatest need; expected benefit to income-qualified persons; tenure of beneficiaries--rental or homeownership; duration or term of assistance; discount rate--if includes acquisition of real property; range of interest rates--if any.)

Activity Description: MSHDA and its local partners will identify foreclosed and abandoned properties using lists of tax and mortgage foreclosures, local records, and neighborhood research. Properties may be single-family or multi-family properties. Properties will be acquired at a discount from the appraised market value in their as-is condition, and may be acquired by MSHDA, local grantee partners of MSHDA, or by eligible NSP beneficiaries with incomes less than 120 percent of area median income. Properties will be inspected and rehabilitation will be conducted to the extent necessary to assure (a) marketability and (b) conformity with local codes.

Rental or homeownership: Eligible occupants will be evaluated by local partners, including HUD-approved counseling agencies and local lenders. Evaluation criteria will be based on the qualification of households for financing at conventional rates, including conventional, FHA and MSHDA mortgages may purchase redeveloped units; NSP funds may be used to provide down payment assistance or other financing mechanisms to help participating households meet these criteria. Those who do not qualify or who prefer to rent may continue to rent redeveloped units. Costs of such counseling may be paid out of this activity.

Duration or term of assistance: Acquisition and rehabilitation assistance will be provided to assure that units may be developed either as owner-occupied or rental property in accordance with applicable affordability requirements. Proceeds of an affordable resale will be repaid as program income; a minimum of \$1000 of homebuyer assistance toward equity for the homebuyer, subject to recapture, will be provided to assure affordability for the period described for the amount of homebuyer assistance provided under 24 CFR 92.254. Rent payments received will be used for the normal costs associated with rental property ownership, including debt service, utilities and insurance, management costs, operating and replacement reserves, and/or deposit of rent into a separate account for NSP-eligible homebuyers to subsequently use these funds to purchase the unit or another NSP-eligible unit. Rent revenues not used for these purposes will be considered program income; rent revenues received 60 months or more after the inception of the program will be returned to HUD unless otherwise approved by the Secretary.

Discount rate: MSHDA will seek to achieve a discount rate of 15% across all the properties assisted under this activity, with a minimum discount of 5%.

Range of Interest Rates: MSHDA may approve sales to assisted households under the existing mortgage standards of the Office of Community Development. These standards require fix-rate financing at or near the best available conventional rate, including FHA-insured mortgages, RD mortgages, and MSHDA mortgages.

For housing activities, how the design of the activity will ensure continued affordability:

Homebuyers will receive a zero interest deferred or forgivable mortgage that reflects the amount of the owner's equity that is unencumbered by an affordable mortgage. Any mortgages forgiven will be in effect during the periods of affordability described in 24 CFR 92.254.

MSHDA will require that units developed for rental be managed by central management entities approved by MSHDA for the management of NSP properties for that market. These property managers will be selected by MSHDA through a request for proposals, taking capacity, existing resources, past performance and successful experience with subsidized housing programs into account. These management entities may be private property management companies, high-capacity nonprofit organizations, or local housing commissions, which are familiar with HOME rental affordability requirements. Affordability will be assured by a regulatory agreement which will assure compliance with the affordability requirements and terms of affordability set forth in the relevant sections of 24 CFR 92.252.

Are funds used to provide housing for persons whose incomes do not exceed 50% of area median? If so, include the estimated percentage of funds used for this purpose.

MSHDA estimates that 10 percent of the funds under this activity will be used to assist households that are at or below 50 percent of area median income.

I. Budget:

\$18,000,000, not including the revenue generated by the repayment of program income resulting from the sale of properties

J. Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

MSHDA projects that 400 units will be redeveloped in this manner, serving the following income groups:

- <50% AMI: 20 percent of funds or \$3,600,000
- 51-80% AMI: 60 percent of funds or \$10,800,000
- 81-120% AMI: 20 percent of funds or \$3,600,000

**NSP SPECIFIC ACTIVITY INFORMATION:
3. DISPLACEMENT PREVENTION FOR FORECLOSED HOUSEHOLDS**

A. Activity Name: Displacement Prevention for Foreclosed Households

B. Activity Type: (include NSP eligible use & CDBG eligible activity)

- NSP Eligible Use:
 - B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties
- CDBG Eligible Activities
 - 570.201 (a) Acquisition
 - 570.201 (b) Disposition
 - 570.201 (i) Relocation
 - 570.201 (n) Direct homeownership assistance
 - 570.202 Eligible rehabilitation and preservation activities for homes and other residential properties (may include counseling for those seeking to take part in this activity)

C. National Objective: (Must be a national objective benefiting low and moderate income persons, as defined in the HERA—i.e., $\leq 120\%$ of area median income)

The activity will assist households with incomes less than or equal to 120 percent of area median income.

D. Projected Start Date: February 1, 2009

E. Projected End Date: June 1, 2010

F. Responsible Organization: (Include name and address)

Michigan State Housing Development Authority
735 E Michigan Avenue, P. O. Box 30044
Lansing, MI 48909

G. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Activities will be conducted in locations consistent with areas of identified need listed in Sections I. A. and B. above.

H. Activity Description: (Include area of greatest need; expected benefit to income-qualified persons; tenure of beneficiaries--rental or homeownership; duration or term of assistance; discount rate--if includes acquisition of real property; range of interest rates--if any.)

Activity Description: MSHDA will work with local partners and use available data to identify households for whom foreclosure cannot be prevented or avoided. HUD-approved counseling agencies will evaluate these households to identify needed support to be successful rental tenants in their current home, including the amount of monthly rent they can afford. Households approved for participation will be given the option of deeding deed their home back to their lender in lieu of foreclosure under the following conditions:

- The lender has agreed to sell the unit to a participating nonprofit organization at a pre-determined discount from appraised value;
- Any necessary repairs have been identified and will be implemented by the nonprofit owner.
- The non-profit will rent to the current occupants for an affordable rent (a portion of the rent may be set-aside in a home purchase account)

Rental or homeownership: Assisted households will be evaluated by a HUD-approved counseling agency to develop a plan to enable the household to move toward eventual repurchase of their home or another NSP-eligible unit. Households which purchase must qualify for financing at conventional rates, including conventional, FHA and MSHDA mortgages may purchase redeveloped units; those who do not wish to purchase or who do not qualify may continue to rent their unit.

Duration or term of assistance: Term of assistance will terminate when one of the following occurs:

- Eventual sale of the home to the originally assisted household or another homebuyer (if a non-NSP eligible household eventually purchases the unit, the entire amount of NSP assistance, less any rental revenues repaid, must be repaid as program income). Proceeds of an affordable resale will be repaid as program income; NSP-eligible buyers will receive a minimum of \$1000 of homebuyer assistance toward equity for the homebuyer, subject to recapture to assure further affordability for the period described for the amount of homebuyer assistance provided as specified in 24 CFR 92.254.
- The end of the applicable rental affordability period under 24 CFR 92.252. Rent payments received will be used for the normal costs associated with rental property ownership, including debt service, utilities and insurance, management costs, operating and replacement reserves, and/deposited into a separate account that may be used by the tenants for future purchase of their home or another NSP-eligible home. Rent revenues not used for these purposes will be considered program income; rent revenues received 60 months or more after the inception of the program will be returned to HUD unless otherwise approved by the Secretary.

Discount rate: MSHDA will seek to achieve a discount rate of 10% across all the properties assisted under this activity, with a minimum discount of 5%.

Range of Interest Rates: MSHDA may approve sales to assisted households under the existing mortgage standards of the Office of Community Development. These standards require fixed-rate financing at or near the best available conventional rate, including FHA-insured mortgages, RD mortgages, and MSHDA mortgages.

For housing activities, how the design of the activity will ensure continued affordability:

Homebuyers will receive a zero interest deferred or forgivable mortgage that reflects the amount of the owner's equity that is unencumbered by an affordable mortgage. Any mortgages forgiven will be in effect during the periods of affordability described in 24 CFR 92.254.

MSHDA will require that units developed for rental be managed by central management entities approved by MSHDA for the management of NSP properties for that market. These property managers will be selected by MSHDA through a request for proposals, taking capacity, existing resources, past performance and successful experience with subsidized housing programs into account. These management entities may be private property management companies, high-capacity nonprofit organizations, or local housing commissions, which are familiar with HOME rental affordability requirements. Affordability will be assured by a regulatory agreement which will assure compliance with the affordability requirements and terms of affordability set forth in the relevant sections of 24 CFR 92.252.

Are funds used to provide housing for persons whose incomes do not exceed 50% of area median? If so, include the estimated percentage of funds used for this purpose.

MSHDA estimates that 10 percent of the funds under this activity will be used to assist households at or below 50 percent of area median income.

I. Budget:

\$7,700,000, not including the revenue generated by the repayment of program income resulting from the sale of properties

J. Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

MSHDA estimates that 135 units will be redeveloped in this manner, serving the following income groups:

- <50% AMI: 10 percent of funds or \$770,000
- 51-80% AMI: 60 percent of funds or \$4,620,000
- 81-120% AMI: 30 percent of funds or \$2,310,000

**NSP SPECIFIC ACTIVITY INFORMATION:
4. LAND BANKS**

A. Activity Name: Land Banking

B. Activity Type: (include NSP eligible use & CDBG eligible activity)

- NSP Eligible Uses: (C) Establish land banks for homes that have been foreclosed upon.
- CDBG Eligible Activities:
 - 570.201 (a) Acquisition
 - 570.201 (b) Disposition

C. National Objective: (Must be a national objective benefiting low and moderate income persons, as defined in the HERA—i.e., \leq 120% of area median income)

The activity will assist LMMI neighborhoods, as defined by HUD using the applicable area median income levels for the community.

OR

The activity will assist households with incomes less than or equal to 120 percent of area median income.

D. Projected Start Date: February 1, 2009

E. Projected End Date: June 1, 2010

F. Responsible Organization: (Include name and address)

Michigan State Housing Development Authority
735 E Michigan Avenue, P. O. Box 30044
Lansing, MI 48909

G. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Activities will be conducted in locations consistent with areas of identified need listed in Sections I. A. and B. above.

H. Activity Description: (Include area of greatest need; expected benefit to income-qualified persons; tenure of beneficiaries--rental or homeownership; duration or term of assistance; discount rate--if includes acquisition of real property; range of interest rates--if any.)

Activity Description: Michigan Land Bank Fast Track Authority and locally established land banks will identify foreclosed homes within targeted neighborhoods meeting the LMMI area benefit requirements. The land banks will acquire and dispose of the

property by 1) holding and maintaining the home in its portfolio for future redevelopment (within 10 years) or 2) demolish the home if it is blighted and maintain the property in its portfolio or 3) sell the cleared site to a developer for redevelopment or 4) rehabilitate the home and either sell to an eligible homeowner or to a local partner as rental property.

The MLBFTA will develop a strategic approach to these projects in collaboration with the State of Michigan workforce development programs, providing job training for displaced workers and neighborhood residents.

The determination on eligible properties for demolition will be based on the following:

A blighted property is a blighted/abandoned/uninhabitable property that meets any of the following criteria:

- Declared a public nuisance in accordance with local housing, building, plumbing, fire, or other related code or ordinance.
- Attractive nuisance because of physical condition or use.
- Fire hazard or is otherwise dangerous to the safety of persons or property.
- Has had utilities, plumbing, heating, or sewerage disconnected, destroyed, removed, or rendered ineffective for a period of 1 year or more so that the property is unfit for its intended use.

Homeownership: Eligible homebuyers will be referred by local partners, including HUD-approved counseling agencies and local lenders. Households which qualify for financing at conventional rates, including conventional, FHA and MSHDA mortgages may purchase redeveloped units.

Duration or term of assistance: Acquisition and rehabilitation assistance will be provided to assure that units may be redeveloped either as owner-occupied or rental property in accordance with applicable affordability requirements. Proceeds of an affordable resale will be repaid as program income; a minimum of \$1000 of homebuyer assistance toward equity for the homebuyer, subject to recapture, will be provided to assure affordability for the period described for the amount of homebuyer assistance provided under 24 CFR 92.254. Rent payments received will be used for the normal costs associated with rental property ownership, including debt service, utilities and insurance, management costs, operating and replacement reserves, and/or a savings account that may be used by the tenants for future purchase of a home. Rent revenues not used for these purposes will be considered program income; rent revenues received 60 months or more after the inception of the program will be returned to HUD unless otherwise approved by the Secretary.

Discount rate: MSHDA will seek to achieve a discount rate of 15% across all the properties assisted under this activity, with a minimum discount of 5%.

For housing activities, how the design of the activity will ensure continued affordability:

Homebuyers will receive a zero interest deferred or forgivable mortgage that reflects the amount of the owner's equity that is unencumbered by an affordable mortgage. Any mortgages forgiven will be in effect during the periods of affordability described in 24 CFR 92.254.

MSHDA will require that units developed for rental are managed by a management entity familiar with HOME rental affordability requirements. Affordability will be assured by a regulatory agreement which will assure compliance with the affordability requirements and terms of affordability set forth in the relevant sections of 24 CFR 92.252.

Are funds used to provide housing for persons whose incomes do not exceed 50% of area median? If so, include the estimated percentage of funds used for this purpose.

MSHDA estimates that 10 percent of the funds under this activity will be used to assist households at or below 50 percent of area median income.

I. Budget:

\$4,000,000, not including the revenue generated by the repayment of program income resulting from any sale of properties.

J. Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

MSHDA estimates that \$2.5 million will be used to redevelop 25 housing units, serving the following income groups:

- <50% AMI: 10 percent of funds or \$250,000
- 51-80% AMI: 70 percent of funds or \$1,750,000
- 81-120% AMI: 20 percent of funds or \$500,000

MSHDA estimates that \$1.5 million will be used to acquire, demolish and maintain 175 units.

**NSP SPECIFIC ACTIVITY INFORMATION:
5. DEMOLITION OF BLIGHTED STRUCTURES**

A. Activity Name: Demolition of Blighted Structures

B. Activity Type: (include NSP eligible use & CDBG eligible activity)

- NSP Eligible Uses: (D) Demolish blighted structures
- CDBG Eligible Activities:
 - 570.483 (b) Activities benefitting low and moderate income persons

C. National Objective: (Must be a national objective benefiting low and moderate income persons, as defined in the HERA—i.e., $\leq 120\%$ of area median income)

Area wide LMMI benefit: The activity will assist LMMI neighborhoods, as defined by HUD using the applicable area median income levels for the community.

D. Projected Start Date: February 1, 2009

E. Projected End Date: June 1, 2010

F. Responsible Organization: (Include name and address)

Michigan State Housing Development Authority
735 E Michigan Avenue, P. O. Box 30044
Lansing, MI 48909

G. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Activities will be conducted in locations consistent with areas of identified need listed in Sections A. and B. above.

H. Activity Description: (Include area of greatest need; expected benefit to income-qualified persons; tenure of beneficiaries--rental or homeownership; duration or term of assistance; discount rate--if includes acquisition of real property; range of interest rates--if any.)

Activity Description: MSHDA and its local partners will identify blighted structures within targeted neighborhoods meeting the LMMI area benefit requirements. The determination on eligible properties for demolition will be based on the following:

A blighted property is a blighted/abandoned/uninhabitable property that meets any of the following criteria:

- Declared a public nuisance in accordance with local housing, building, plumbing, fire, or other related code or ordinance.

- Attractive nuisance because of physical condition or use.
- Fire hazard or is otherwise dangerous to the safety of persons or property.
- Has had utilities, plumbing, heating, or sewerage disconnected, destroyed, removed, or rendered ineffective for a period of 1 year or more so that the property is unfit for its intended use.

Priority will be given to tax reverted property owned by a municipality, a county, or the state **OR** owned or under control of a land bank fast track authority. Privately owned properties will also be considered for demolition.

Once the blighted structure(s) is identified, the local partner or land bank fast track authority will contract and/or perform eligible activities. Eligible activities are costs directly associated with:

- Deconstruction and demolition (includes utility shut-off and hazardous materials testing and removal)
- Clearance, removal and disposition of materials
- Site restoration (grading, seeding, and curb replacement)

The MLBFTA will develop a strategic approach to these projects in collaboration with the State of Michigan workforce development programs, providing job training for displaced workers and neighborhood residents.

Are funds used to provide housing for persons whose incomes do not exceed 50% of area median? If so, include the estimated percentage of funds used for this purpose.

No, this activity will produce cleared sites that alleviate the negative impact of blight on the LMMI neighborhood resulting in positive area wide benefit.

I. Budget:

\$20,000,000, not including the revenue generated by the repayment of program income resulting from any sale of properties.

J. Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

MSHDA estimates that 2,000 units will be cleared in this manner.

**NSP SPECIFIC ACTIVITY INFORMATION:
6. REDEVELOPMENT OF DEMOLISHED OR VACANT PROPERTIES**

A. Activity Name: Redevelopment of Demolished or Vacant Properties

B. Activity Type: (include NSP eligible use & CDBG eligible activity)

- NSP Eligible Use:
 - E. Redevelop demolished or vacant properties
- CDBG Eligible Activities:
 - 570.201 (a) Acquisition
 - 570.201 (b) Disposition
 - 570.201 (c) Public facilities and improvements
 - 570.201 (e) Public services for housing counseling, but only to the extent that the counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties
 - 570.201 (i) Relocation
 - 570.201 (n) Direct homeownership assistance
 - 570.204 New construction, under modifications to the community based development organization (CBDO) and/or 105(a)(15) nonprofit requirements incorporated in the NSP

C. National Objective: (Must be a national objective benefiting low and moderate income persons, as defined in the HERA—i.e., $\leq 120\%$ of area median income)

The activity will assist households with incomes less than or equal to 120 percent of area median income.

OR

The activity will assist LMMI neighborhoods (area wide benefit), as defined by HUD using the applicable area median income levels for the community.

D. Projected Start Date: February 1, 2009

E. Projected End Date: June 1, 2010

F. Responsible Organization: (Include name and address)

Michigan State Housing Development Authority
735 E Michigan Avenue, P. O. Box 30044
Lansing, MI 48909

G. Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Activities will be conducted in locations consistent with areas of identified need listed in Sections I. A. and B. above. MSHDA expects to strategically invest these funds:

- In established target areas served by high-capacity local partners, and
- To redevelop properties in neighborhoods or adjacent downtowns which are more stable but at-risk, as a deterrent to further disinvestment through local partners with identified capacity.

H. Activity Description: (Include area of greatest need; expected benefit to income-qualified persons; tenure of beneficiaries--rental or homeownership; duration or term of assistance; discount rate--if includes acquisition of real property; range of interest rates--if any.)

Activity Description: MSHDA and its local partners will identify vacant structures, vacant property and demolished properties using local records and neighborhood research. Vacant structures may be commercial, single-family or multi-family properties. Activities under this section may be limited to acquisition only for blighted structures, with additional activity on these sites to be conducted under “(D) Demolish blighted structures”; i.e., activities under this section may be combined with (D) to permit entities other than land banks to acquire blighted properties for demolition.

It is expected that developers will collaborate with the State of Michigan workforce development programs, providing job training for displaced workers and neighborhood residents.

Properties will be acquired at a *discount* from the appraised market value in their as-is condition, and may be acquired by MSHDA, local grantee partners of MSHDA, or by nonprofit or for-profit developers. Properties will be inspected and redeveloped to the extent necessary to assure (a) marketability and (b) conformity with local codes.

Redeveloped properties may be mixed use commercial, public facilities, rental, or homeownership: For rental and homeowner activities, eligible occupants will be evaluated by local partners, including HUD-approved counseling agencies and local lenders. Households which qualify for financing at conventional rates, including conventional, FHA and MSHDA mortgages may purchase redeveloped units; those who do not qualify may rent redeveloped units.

Duration or term of assistance: Acquisition and redevelopment assistance will be provided to assure that 1) units developed as either as owner-occupied or rental property will be in accordance with applicable affordability requirements and 2) properties redeveloped as mixed use commercial or public facilities will meet the area wide benefit requirements. Proceeds of an affordable resale will be repaid as program income; a minimum of \$1000 of homebuyer assistance toward equity for the homebuyer, subject to recapture, will be provided to assure affordability for the period described for the amount of homebuyer assistance provided under 24 CFR 92.254. Rent payments received will be used for the normal costs associated with rental property or commercial property ownership, including debt service, utilities and insurance, management costs, operating and replacement reserves, and/or deposit of rent into a separate account for NSP-eligible

homebuyers to subsequently use these funds to purchase the unit or another NSP-eligible unit. Rent revenues not used for these purposes will be considered program income; rent revenues received 60 months or more after the inception of the program will be returned to HUD unless otherwise approved by the Secretary.

Discount rate: MSHDA will seek to achieve a discount rate of 15% across all the properties acquired under this activity, with a minimum discount of 5%.

Range of Interest Rates: MSHDA may approve sales to assisted households under the existing mortgage standards of the Office of Community Development (attached). These standards require fix-rate financing at or near the best available conventional rate, including FHA-insured mortgages, RD mortgages, and MSHDA mortgages.

For housing activities, how the design of the activity will ensure continued affordability:

Homebuyers will receive a zero interest deferred or forgivable mortgage that reflects the amount of the owner's equity that is unencumbered by an affordable mortgage. Any mortgages forgiven will be in effect during the periods of affordability described in 24 CFR 92.254.

MSHDA will require that units developed for rental be managed by a one or more management entities approved by MSHDA for the management of NSP properties. These management entities may be private property management companies, high-capacity nonprofit organizations, or local housing commissions, which are familiar with HOME rental affordability requirements. Affordability will be assured by a regulatory agreement which will assure compliance with the affordability requirements and terms of affordability set forth in the relevant sections of 24 CFR 92.252.

Are funds used to provide housing for persons whose incomes do not exceed 50% of area median? If so, include the estimated percentage of funds used for this purpose.

MSHDA estimates that 61% percent of the funds under this activity will be used to assist households at or below 50 percent of area median income.

I. Budget:

\$38,000,000, not including the revenue generated by the repayment of program income resulting from the sale of properties

J. Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

MSHDA estimates that \$34 million will be used to redevelop 500 housing units, serving the following income groups:

- <50% AMI: 61 percent of funds or \$21,000,000

- 51-80% AMI: 29 percent of funds or \$9,600,000
- 81-120% AMI: 10 percent of funds or \$3,400,000

MSHDA estimates that \$4 million will be used to redevelop 3 commercial or public facilities with area or limited clientele benefit at 120 percent AMI or below.

CERTIFICATIONS

- (1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
- (4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.
- (5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.
- (6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
- (7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.
- (8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.
- (9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.
- (10) **Use NSP funds ≤ 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.
- (11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public

improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

Signature/Authorized Official

Date

Title