

**Neighborhood Stabilization Program
Action Plan**

**State of Michigan
Jennifer M. Granholm, Governor**

**Submitted to:
The U. S. Department of Housing and Urban Development**

**Michigan State Housing Development Authority
Keith Molin, Executive Director**

**26 November, 2008
3 February, 2009 Revision**

Table of Contents

A.	Areas of Greatest Need	1
B.	Distribution and Uses of Funds	4
	Table 1: MSHDA Eligible non-NSP Entitlement Cities	9
	Table 2: Distribution and Uses of NSP Funds	10
	NSP Investment Areas by Risk Score	11
C.	Definitions and Descriptions	12
D.	Low Income Targeting	13
E.	Acquisitions and Relocation	13
F.	Public Comment	14
G.	NSP Specific Activity Information	
	1. Financing Mechanisms	17
	2. Redevelopment of Abandoned and Foreclosed Properties	21
	3. Displacement Prevention for Foreclosed Households	24
	4. Land Banks`	28
	5. Demolition of Blighted Structures	30
	6. Redevelopment of Demolished or Vacant Properties	32

THE NSP SUBSTANTIAL AMENDMENT

Jurisdiction(s): <u>State of Michigan/Michigan State Housing Development Authority</u> Jurisdiction Web Address: http://www.michigan.gov/mshda/0,1607,7-141-7559_9643_9727-202883--,00.html <i>(URL where NSP Substantial Amendment materials are posted)</i>	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
--	--

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.

MSHDA's determination of priority for funding will be based on the HUD Estimated Foreclosure/Abandonment Risk Score as published at:

http://huduser.org/publications/commdevl/excel/MI120_LM.xls

This score, calculated by HUD, is a composite index of a number of variables related to the statutorily-required prioritized factors previously mentioned (present foreclosures, concentration of subprime loans and future risk of foreclosure). All of Michigan's 13,699 census block groups were scored on this index. It measures risk on a scale of one through 10, with scores of 10 identifying neighborhoods that have the highest risk of foreclosure and abandonment.

In order to assure that NSP funds are targeted to achieve impact, Michigan will designate census block groups with a HUD Risk Score of 6-10 as the Areas of Greatest Need. This level of foreclosure and/or abandonment risk constitutes the area's required qualification as an "area of greatest need" under NSP, and is a threshold for eligibility for NSP funding.

A map is attached showing the areas with a HUD risk score of 6-10 in dark grey shading. These shaded areas constitute the Areas of Greatest Need under this plan. Eligibility for NSP funding is restricted to these areas, as described in the sections in Section B below. These targeted areas are referred to as Qualified NSP Investment Areas throughout the rest of this plan.

A listing of the census block groups which comprise the Qualified NSP Investment Areas (6-10 risk score) may be found at:

<http://www.michigan.gov/mshda/0,1607,7-141--202883--,00.html>

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:

Distribution 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 2). The final determination is dependent on the applications received in response to the NSP Request for Proposals and from direct activities administered by MSHDA and the Michigan Land Bank Fast Track Authority (MLBFTA).

Section A. above identifies the methodology MSHDA used to identify the areas of greatest need, by specifying Qualified NSP Investment Areas. Distribution is described below for 1) Non-NSP Entitlement Cities, 2) Competitive funding rounds, 3) Direct funding of projects implemented by MSHDA, and 4) the Michigan Land Bank Fast Track Authority. Anticipated end use of funds is described under each eligible use under the specific activities that follow and is summarized in Table 2.

Threshold criteria. All NSP funded projects must meet threshold criteria to assure compliance with the Michigan NSP Action Plan and HUD regulations. These threshold criteria include, but will not be limited to, the following, to which applicants must certify:

1. Qualified NSP Investment Areas. All NSP assisted projects will be in a qualified NSP census block group, as described under “Areas of Greatest Need,” above. To the extent known at the time of application, these project addresses will be identified in the application. If not known, eligible census block groups will be identified.
2. Income-eligible households. All households residing in NSP assisted properties will have incomes at or below 120 percent of area median income, adjusted for family size (AMI).
3. Very low income households. To the extent required by HUD by regulations then in effect, all projects serving households at or below 50 percent of AMI and counting toward the 25 percent very low income set-aside, will be housed in units which were abandoned or foreclosed upon homes or residential properties.
4. Purchase at a discount. All abandoned and foreclosed upon homes purchased with NSP funds will be purchased at a discount averaging 15 percent, or other discount rates as approved by HUD.

Summary of Distribution of Funds

As a guide to the sections that follow, the approximate (rounded) allocation of funds expected for the Michigan NSP program is as follows (dollar amounts are shown rounded, in millions):

1.	Non-NSP CDBG Entitlements (See Table 1) (Includes up to \$2.175 M (10%) for admin)	\$21.75
2.	25% set-aside for households <50% AMI	\$25.00
3-4.	Competitive and direct funded activities	\$34.22
5.	Michigan Fast Track Land Bank Authority	\$10.00
6.	Balance of 10% admin not included in line 1 above	\$ 7.68
	Total Allocation	\$98.65

- 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 fifteen (15) CDBG entitlement cities with NSP allocations between \$500,000 and \$2 million, plus Michigan’s two non-entitled Cities of Promise (Muskegon Heights and Benton Harbor), to apply to MSHDA for an award of NSP funds up to the amount based on the amount initially determined by HUD. The amounts for which these 17 cities are eligible to apply are shown in Table 1. Applications are due on January 30, 2009. Action by MSHDA to approve, reject or request clarification will be taken by March 1, 2009.

These cities must in their applications:

- Restrict funding to Qualified NSP Investment Areas (areas identified as Areas of Greatest Need in the State of Michigan Plan)
- Propose activities which are consistent with this plan and with the NSP regulations as published by HUD

MSHDA expects to review and assess:

- The above threshold criteria, including targeting of activities in Qualified NSP Investment Areas to maximize impact
- The proposed activities for compliance with NSP eligibility
- Documentation of local capacity, to assess the rate at which NSP-assisted projects will be completed

Based on this assessment, MSHDA will either approve the application or ask for additional information, clarification, or corrections. Once the application is approved, MSHDA will award some portion of the total maximum grant, along with benchmark timelines for the commitment and expenditure of funds that will be required in order to amend the grant to award additional funds toward the total maximum grant.

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 (including up to \$2.175 million in administrative costs) from its \$98.6 million allocation of NSP funding for these communities.

A Note on HUD’s NSP Entitlements in Michigan

HUD awarded NSP funding to CDBG Entitlement communities whose allocations were more than \$2 million. In Michigan, twenty-two (22) local municipalities and counties were funded as NSP Entitlements.

HUD is requiring a very short timeframe (18 months) to commit NSP funds to specific projects and has also acknowledged that capacity may well be an issue given the level of funding and the complexity of eligible uses under the NSP regulations. Based on consideration of funding levels, timeframes and capacity, MSHDA has determined that it will not award funds from the state allocation directly to HUD NSP Entitlement

cities until (a) the entitlement city has fully committed its initial award from HUD, (b) MSHDA has reviewed its activities to determine that they are in compliance with NSP regulations, and (c) the entitlement city has made sufficient progress on its NSP activities to assure their eventual completion.

MSHDA will, however, award funds within these communities through local partners, such as nonprofit organizations, CHDOs, land banks and for-profit developers under this plan, as well as conduct directly funded activities within these cities throughout its NSP program.

- 2. Set-aside for housing for households with incomes less than 50 percent AMI.** Michigan will set aside 25 percent of its NSP funding for the redevelopment of abandoned or foreclosed upon homes and residential properties for persons with incomes less than 50 percent AMI, primarily through rental properties to be redeveloped leveraging development and additional financial resources from MSHDA's Office of Multifamily Development and Homeless Initiatives. Projects submitted under this set-aside must be in a Qualified NSP Investment Area.
- 3. Competitive process.** For some of its NSP funded activities, MSHDA will use a competitive application process through one or more funding rounds. MSHDA will issue one or more application forms for various types of NSP-eligible projects, along with deadlines for applications for funding, to local partners throughout the state, according to the following threshold and evaluation criteria.

Threshold Criteria.

1. Compliance with the Threshold Criteria applicable to all applicants (above)
2. Eligible applicant. The application is made by an eligible applicant, including non-NSP entitled units of general local government, Community Housing Development Organizations (CHDOs) and other 501(c)(3) nonprofit organizations in good standing with the State of Michigan, and for-profit corporations. (As noted above: NSP-entitled units of local government may apply if the unit of local government has met the following requirements: (a) their initial awards from HUD 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.) Eligible applicants under a competitive round for various eligible activities are shown in Table 2 (shown as "RFP" under "application process.")
3. Federal Compliance Assurances. As a pre-disbursement condition, approved applicants will be further required to demonstrate compliance with key related federal regulations, including (a) demonstrated capacity to manage federal funds, as evidenced by an updated MSHDA Office of Community Development Partnership Profile (including most recent audited financial statements and operating budget, and auditor's certification) or equivalent documentation, (b) fair housing, (c) access to contractors trained in lead-safe

work practices (if applicable), (d) capacity to assure compliance with Davis-Bacon and Related Acts (if applicable), etc.

Evaluation Criteria

MSHDA expects to evaluate proposals submitted in one or more competitive funding rounds (MSHDA may make some adjustments to criteria and/or points per criterion.)

1. Expected Neighborhood/Community Impact: Up to 15 points

Points will be awarded based on the extent to which the activities may be expected to have positive impact on overall neighborhood stabilization, including any of the following:

- Reduction of the negative impact on property owners of depressed housing values resulting from a high incidence of foreclosure in a given market
- Reduction of the negative impact of blighted property on housing units in the immediate neighborhood
- Coordination with other non-NSP funded neighborhood revitalization activities intended to have a lasting impact on neighborhood sustainability
- Alignment of projects in target areas with previous investment by MSHDA, other state funders, and local governments

2. Appropriateness of activities to identified needs and market conditions: Up to 15 points

MSHDA expects successful applications to address one or more of the following areas: Specifically, the potential of the funded intervention to address the detrimental conditions posed by the presence of foreclosed, abandoned, vacant or blighted property by:

- Improving the balance in the local housing market between supply and demand (e.g., by reducing oversupply and/or increasing demand)
- Improving public perceptions of neighborhood conditions by creating an environment more conducive to investment by property owners
- Addressing an appropriate number of eligible properties for the extent of the defined target area

3. Appropriateness of activities for local capacity: up to 30 points.

Points will be awarded for (a) previous successful experience administering HOME or CDBG-funded housing projects (prior monitoring findings and/or the extent of uncommitted or unexpended MSHDA funding in grants that are still within a grant term will be taken into account) or (b) experience administering and delivering the specific activities for which NSP funds will be used.

4. Cost-effective projects: up to 20 points.

Cost-effectiveness will be evaluated based on incomes to be served (projects to serve lower income households are expected to have increased subsidy costs),

quality and extent of rehab, and additional resources leveraged from sources outside Michigan state government. MSHDA will not award additional points for estimates of leverage from buyers' mortgage proceeds that are deemed overly optimistic in the current market.

5. Incorporation of energy efficiency and green building techniques: up to 10 points
6. Innovation/creative solutions to neighborhood stabilization and housing market problems: up to 10 points

Points may be awarded for potentially replicable strategies that demonstrate promise for significant program advancement or the development of new best practices, where supported by documented applicant capacity.

MSHDA expects to begin training of prospective applicants by late February. Applications will be due approximately 30 days after the receipt of a grant agreement from HUD, with the initial round of awards made 45 days thereafter.

- 4. Direct Funding.** For certain types of activities, NSP funds can best be deployed through a direct funding mechanism through an open application process for direct funding for individual projects. These would often be for specific individual projects (i.e., specific addresses or project sites) where additional funding can be leveraged through coordination with related programs operated by MSHDA, such as low-income housing tax credits, tax-exempt bond financing, and mortgage revenue bond financing for single-family mortgages. Projects would be eligible based on an assessment in accordance with thresholds based on the factors listed above (including conformity with Areas of Greatest Need as identified in Section A), and informed by the due diligence that accompanies these other programs (such as underwriting projects for long-term sustainability and mortgage financing). These projects would include:
 - Projects where timely site control or other factors make delay until an RFP round problematic;
 - Complex projects that may require a commitment of funds for a limited period of time while elements such as site conditions, other funding sources, or local approvals are resolved (such as the coordination of NSP funds with Low-Income Housing Tax Credit Funding rounds);
 - Leveraging of Michigan homeownership counseling capacity and funding for NSP eligible projects.
- 5. Michigan Land Bank Fast Track Authority (MLBFTA).** The MLBFTA will be a key partner in the implementation of NSP in Michigan. NSP funds may be used to allow the MLBFTA to purchase and dispose of abandoned and/or foreclosed upon homes, as well as for demolition activities to support their eventual redevelopment with the 10-year period allowed by NSP. These properties are located throughout the state; however, a majority is located in the City of Detroit and the balance of Wayne County. MSHDA is allowing \$10 million for these activities. All MLBFTA activities funded with NSP will be conducted in areas which are Areas of Greatest

Need as identified in Section A; additionally, activities which do not result in the timely redevelopment of an NSP-eligible housing unit will be conducted in areas which meet the 120 percent AMI eligibility requirement.

- 6. Administrative Costs.** MSHDA will use up to \$9,865,391 for administrative costs. Of this amount, up to \$2,175,000 will be awarded to the 17 non-NSP CDBG entitlement cities referenced in #1 above. MSHDA may include administrative costs, as appropriate, with other awards of NSP funds, under #2-4 above from this allocation. Under no circumstances with the admin funds used for NSP activities exceed 10 percent of the allocation.

Uses of Funds

Uses of funds are summarized in Table 2 that follows and described in detail under Part G, NSP Information by Activity.

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

	Eligible Applicants	Eligible End Use	Application Method	Incomes	Percent	Dollars	Subtotal	Units	Total	Units
A	Financing Mechanisms Nonprofits or For-Profit Developers	MF Rental	Direct	Rental Development	<50	100%	\$25,000,000		500	
					51-80	0%	\$0		0	
					81-120	0%	\$0		0	
		Nonprofits, LUGs Lenders	Direct Homeownership Assistance	RFP Direct	HB Assistance	<50	20%	\$2,000,000	200	
					51-80	60%	\$6,000,000	600		
					81-120	20%	\$2,000,000	200		
							\$10,000,000	1000	\$35,000,000	1000
B	Acq/rehab/redevel	Homeownership Rental, Lease/Purchase Homeownership	RFP Direct	SF-Rental and HB	<50	20%	\$1,700,000		38	
					51-80	60%	\$5,100,000		113	
					81-120	20%	\$1,700,000		38	
							\$8,500,000			189
B	Displacement Management	Rental, Lease/Purchase	RFP	SF-Rental and HB	<50	10%	\$730,000		15	
					51-80	60%	\$4,380,000		91	
					81-120	30%	\$2,190,000		46	
							\$7,300,000		\$15,800,000	152
C	Land Banks Local Land Banks Michigan Land Bank	Acquisition/displition	RFP Direct..	Acq/disposition	<50					
					51-80		\$1,988,525			
					81-120					
							\$1,988,525	199	\$1,988,525	199
D	Demolition Nonprofits, LUGs, Local Land Banks Michigan Land Bank	Demolition	RFP Direct	Demolition	<50					
					51-80		\$20,000,000			
					81-120					
							\$20,000,000	2000	\$20,000,000	2000
E	Redevel-vac and aband	Rental	Direct	MF-Rental	<50	100%	\$7,000,000		140	
					51-80	0%				
					81-120	0%				
		Nonprofits, LUGs Land Banks	Homeownership	RFP	SF Homebuyer	<50	10%	\$500,000	7	
						51-80	70%	\$3,500,000	50	
						81-120	20%	\$1,000,000	14	
							\$5,000,000			71
	Nonprofits, LUGs Land Banks	Public Facilities	RFP	Pub Facilities	<50					
					51-80		\$4,000,000		\$16,000,000	
					81-120					
							\$4,000,000			
							Total for Projects	\$88,788,525		
							Administration	\$9,865,390		
							Total Allocation	\$98,653,915	4251	

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.
- Has a subsurface structure or demolition debris that renders the property 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. MSHDA will primarily use the recapture provisions but reserves the right to use the reuse provision at its discretion. All projects assisted with NSP funds will be subject to the following affordability restrictions:

<u>Investment per Unit</u>	<u>Minimum Length of the Affordability Period</u>
Less than \$15,000	5 years
\$15,000 - \$40,000	10 years
More than \$40,000	15 years
New construction of rental housing	20 years

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

Response:

MSHDA will require that all NSP funded rehabilitation activities be completed in compliance with the *State of Michigan Rehabilitation Code for Existing Buildings, Incorporating the 2003 Edition of the International Existing Building Code*, published by the Michigan Department of Energy, Labor, and Economic Growth, Bureau of Construction Codes and Fire Safety. MSHDA will strongly encourage grantees to use NSP funds to strategically incorporate modern, green building and energy efficiency improvements in all NSP activities.

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: \$25 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:

MSHDA will meet the above requirement through several different but primarily rental activities. 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.

Michigan is assuring that a minimum of \$25 million in NSP funds will be used to develop housing that will meet the requirement that 25% of funds be used to serve households with incomes at or below 50% of area median income. Table 2 shows estimated activities providing up to \$34,430,000 or 34 percent of funds potentially benefiting this target population. *All units counted as benefiting households under 50 percent AMI will be implemented under the NSP low-income housing objective.*

E. ACQUISITIONS & RELOCATION

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

If so, include:

- *The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ 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 2,000 units. It is believed approximately 900 units will be made available to households whose income does not exceed 50 percent of area medium income. See Table 2 for proposed distribution by income and activity.

F. PUBLIC COMMENT

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

Response:

The NSP substantial amendment was posted to MSHDA’s website on Tuesday, November 4, 2008, with comments taken through the close of business Wednesday, November 19, 2008. Notices of the availability of the amendment for comment were placed in six major newspapers throughout the State, including the Detroit Free Press and Detroit News, Alpena News, Grand Rapids Press, Lansing State Journal, Marquette Mining Journal, and the Traverse City Record Eagle.

In addition, MSHDA sent out mass e-mailing through our trade group partners, Michigan Community Development Association and the Community and Economic Development Association of Michigan. These organizations have a combined membership list of over 500 organizations and individuals who are potential stakeholders in the NSP Plan amendment, advising them about the availability of and the comment period on the draft NSP amendment to the Action Plan. These outreach efforts informed the public that they could submit comments on the draft Plan in writing via either traditional or e-mail. A summary of the comments received and MSHDA’s response follow:

Comment: Several commenters requested that funding be directed to foreclosure prevention.

Response: Use of NSP funds for foreclosure prevention activities are prohibited by NSP statute and regulation.

Comment: Several commenters requested that the historical significance of buildings be considered prior to demolition or rehabilitation.

Response: All NSP assisted activities must go through federal environmental clearance procedures which includes review of historical significance by the State Historical Preservation Office.

Comment: One commenter objected to the encouragement of favoring projects that served multiple objectives, specifically the inclusion of workforce development components.

Response: The intent of including workforce development components into the program is to respond to Section 3 federal requirements and a need, given unemployment rates in Michigan, to collaborate to the extent feasible with local workforce employment. NSP monies will not be used for training or developing the workforce but will provide opportunity for employing workers from such local workforce development programs.

Comment: Commenters requested that single family homeownership assistance be included as an eligible finance mechanism and that low interest funding pools be allowed.

Response: Single family homeownership assistance is now included as an eligible finance mechanism. Low interest funding pools will not be allowed; it would not meet the HUD defined requirement that funds be committed within 18 months.

Comment: Commenters requested the inclusion of green energy or energy efficiency standards in the program.

Response: Energy efficiency and green standards are now specifically encouraged for inclusion in all NSP activities.

Comment: One commenter requested that more funding be used with respect to households with incomes below 50% of AMI and that affordable rents be limited to 30% of 65% of AMI.

Response: The NSP regulations allow for serving households up to 120% with 25% of the funds being targeted to households below 50% of AMI. MSHDA put this into the plan as a safe harbor. MSHDA fully expects to target a greater percentage of funds to households at or below 50% of AMI and will use that criterion in scoring applications submitted for funding. Likewise, it is expected that deeper subsidy will allow for rents affordable to 30% of 65% of AMI.

Comment: One commenter requested that displacement prevention and fair housing apply to the NSP.

Response: NSP is a federal program which falls under federal cross-cutting regulations, including requirements for uniform relocation and displacement rights and furthering fair housing.

Comment: One commenter requested that MSHDA include supportive housing as a possible use of funds under NSP.

Response: Supportive housing can be applied for under Eligible categories A, B, and E.

Comment: Several commenters requested clarification on the allocation methodology and eligible applicants.

Response: We have added information on the methodology and the eligibility requirements for applicants by eligible Use in Table 2.

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

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:
 - 24 CFR 570.206 Delivery Costs
 - 24 CFR 570.201 (n) Direct Homeownership assistance (as modified)
 - Other eligible activities listed in the NSP Federal Notice table to the extent financing mechanisms are used to carry them out.

C. National Objective: (Must be a national objective benefiting low and moderate income persons, as defined in the HERA—i.e., ≤ 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 Qualified NSP Investment Areas as identified 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 #1: Development of multifamily housing 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 a Qualified NSP Investment Area as defined in Section I.A above.

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 15% 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 2 percent, 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 utilities and insurance, management costs, operating and replacement reserves, and payment of reasonable and approved limited dividend distributions as approved under state law after audit. 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 100 percent of the funds under this activity will be used to assist households at or below 50 percent of area median income.

Activity #2: Provision of direct homeownership assistance to eligible purchasers who will become owner-occupants of NSP assisted housing. Direct homeownership

assistance will be provided with down payment assistance, closing costs, and prepayments, under a lien, promissory note and/or other financing obligation and may be provided under this eligible use for properties developed with NSP funds, especially under Eligible Uses B or E.

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 15% across all the properties assisted under this activity, with a minimum discount of 5%.

Range of Interest Rates: NSP funds will typically be provided as zero interest deferred loans. Loans may be forgiven in a manner consistent with the affordability requirements of 24 CFR 92.254.

Duration or term of assistance: NSP funds used to provide homebuyer assistance until the property is sold or refinanced for cash out, or until the affordability requirements in the loan, consistent with 24 CFR 92.254 are satisfied.

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

MSHDA will require that first mortgage loans meet appropriate loan quality and affordability standards as required by NSP. Affordability will be assured by a lien, promissory note or other obligation which assure compliance with the requirements and terms of affordability set forth in 24 CFR 92.254.

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:

\$25,000,000, for multifamily interest rate write-downs not including the revenue generated by the repayment of program income resulting from rental revenue over and above operational requirements.

\$10,000,000, for homebuyer assistance, not including the repayment of assistance to the extent possible on the resale of units. Repayments prior to July 30, 2013, and repayments after July 30, 2013 to entities other than subrecipients will be treated as program income.

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 \$25 million for multifamily development will be used to develop 500 housing units, serving the following income groups:

- <50% AMI: 500 units
- 51-80% AMI: 0 units
- 81-120% AMI: 0 units

MSHDA estimates that the \$10 million for homeownership assistance will be used to provide homebuyer assistance to 1,000 housing units; serving the following income groups:

- <50% AMI: 200 units
- 51-80% AMI: 600 units
- 81-120% AMI: 200 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., ≤ 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 Qualified NSP Investment Areas as identified in Sections I. A. and B. above. MSHDA expects to strategically invest these funds:

- In Qualified NSP Investment Areas served by high-capacity local partners, including nonprofit organizations, CHDOs, units of local government and land banks.

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 must be single family properties. Properties will be acquired at a discount from the appraised market value in their as-is condition, and may be acquired by 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 the state rehabilitation code.

Rental or homeownership: Projects may be rental or homeownership.

For homeownership projects, 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.

The first priority for the disposition of single-family homes will be for owner-occupancy. Prospective buyers who cannot immediately qualify for financing at conventional rates may be permitted to rent NSP-assisted single-family homes; such households will agree to work with ongoing homeownership counseling to enable the household to be eligible for conventional financing in no more than three years. 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 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 NSP-assisted 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 NSP program income and 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 that are at or below 50 percent of area median income.

I. Budget:

\$8,500,000, 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 189 units will be redeveloped in this manner, serving the following income groups:

- <50% AMI: 20 percent of funds or \$1,700,000
- 51-80% AMI: 60 percent of funds or \$5,100,000
- 81-120% AMI: 20 percent of funds or \$1,700,000

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., ≤ 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 Qualified NSP Investment Areas as identified 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 give their lender a deed 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)

Note: A deed in lieu of foreclosure meets NSP foreclosure requirements under State of Michigan law.

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 repurchase of their home. Households who qualify for financing at conventional rates, including conventional, FHA and MSHDA mortgages may purchase redeveloped units.

Participations will be subject to pre-qualification review by the local nonprofit owner and/or homeownership counseling agency to determine the cause of the foreclosure; participation will be limited to those who have generally demonstrated responsible homeownership, have lost their home through extenuating circumstances such as job loss or other loss of income, medical emergencies, or sub-prime loan or other unreasonable/unrealistic initial underwriting by the lender at the time of the purchase. Prospective participants must agree to work with ongoing homeownership counseling to enable the household to be eligible for conventional financing in no more than three years. Costs of such counseling may be paid out of this activity.

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 proceeds must be repaid as program income under any rules and interpretations then in effect by HUD). NSP-eligible buyers may 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 utilities and insurance, management costs, operating and replacement reserves, and/deposited into a separate account that may be used by the tenants or other eligible purchasers for the purchase of that NSP-assisted unit. Rent revenues not used for these purposes will be considered

program income. All properties so assisted are expected to be owner occupied within five years; however, if required by HUD, any 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 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:

\$7,300,000, 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 152 units will be redeveloped in this manner, serving the following income groups:

- <50% AMI: 10 percent of funds or \$730,000
- 51-80% AMI: 60 percent of funds or \$4,380,000
- 81-120% AMI: 30 percent of funds or \$2,190,000

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 Qualified NSP Investment Areas as identified 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: The Michigan Land Bank Fast Track Authority (MLBFTA) and locally established land banks will identify foreclosed homes within a Qualified NSP Investment Area. The land bank will:

1) Acquire and hold the property in its portfolio for future redevelopment (within 10 years). All properties to be held by the land bank must be located in a Qualified NSP Investment Area that also meets the LMMI area benefit requirement.

2) Acquire and dispose of the property for homeownership or rental by an eligible LMMI household.

Land banks will enter into a binding agreement with MSHDA that all properties held for future redevelopment will be disposed of within the maximum ten year period to a local unit of government, a non-profit or a for-profit entity for an eligible NSP use; subject to the requirements outlined in the NSP regulations.

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:

\$1,988,525, 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 \$1.98 million will be used to acquire and dispose of 199 housing 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:
 - 570.201(d) (b) Clearance for blighted structures only

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 Qualified NSP Investment Areas as identified in Sections I. A. and I. 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: the Michigan Land Bank Fast Track Authority (MLBFTA), locally established land banks or MSHDA's local partners will identify blighted structures within Qualified NSP Investment Areas which also meet 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 local land bank or the MLBFTA 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 Qualified NSP Investment Areas as identified 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 and its local partners will identify vacant or demolished properties, located in Qualified NSP Investment Area, using local records and neighborhood research. Vacant structures may be commercial, single-family or 1-24 unit 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.

Properties will be acquired at a *discount* from the appraised market value to the extent required by HUD, and may be acquired by MSHDA’s local grantee partners 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.

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

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 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.

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

I. Budget:

\$16,000,000, 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 \$12 million will be used to redevelop 211 housing units, serving the following income groups:

- <50% AMI: 59 percent of funds or \$7,500,000
- 51-80% AMI: 16 percent of funds or \$3,500,000
- 81-120% AMI: 4 percent of funds or \$1,000,000

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.

NSP Substantial Amendment Checklist

For the purposes of expediting review, HUD asks that applicants submit the following checklist along with the NSP Substantial Amendment and SF-424.

Contents of an NSP Action Plan Substantial Amendment

Jurisdiction(s): State of Michigan Lead Agency: Michigan State Housing Development Authority Jurisdiction Web Address: http://www.michigan.gov/mshda/0,1607,7-141-7559_9643_9727-202883--,00.html <i>(URL where NSP Substantial Amendment materials are posted)</i>	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

The elements in the substantial amendment required for the Neighborhood Stabilization Program are:

A. AREAS OF GREATEST NEED

Does the submission include summary needs data identifying the geographic areas of greatest need in the grantee’s jurisdiction?

Yes No . Verification found on page 1.

B. DISTRIBUTION AND USES OF FUNDS

Does the submission contain 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?

Yes No . Verification found on page 2.

Note: The grantee’s narrative must address the three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

C. DEFINITIONS AND DESCRIPTIONS

For the purposes of the NSP, do the narratives include:

- a definition of “blighted structure” in the context of state or local law,
 Yes No . Verification found on page 12.

- a definition of “affordable rents,”
 Yes No . Verification found on page 12.

- a description of how the grantee will ensure continued affordability for NSP assisted housing,
Yes No . Verification found on page 12.
- a description of housing rehabilitation standards that will apply to NSP assisted activities?
Yes No . Verification found on page 13.

D. LOW INCOME TARGETING

- Has the grantee described how it will meet the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?
Yes No . Verification found on page 13.
- Has the grantee identified how the estimated amount of funds appropriated or otherwise made available will 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% of area median income?
Yes No . Verification found on page 13.
Amount budgeted = \$34,430,000

E. ACQUISITIONS & RELOCATION

Does grantee plan to demolish or convert any low- and moderate-income dwelling units?

Yes No . (If no, continue to next heading)
Verification found on page 14.

If so, does the substantial amendment include:

- The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities?
Yes No . Verification found on page 14.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., $\leq 120\%$ 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)?
Yes No . Verification found on page 10.
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income?
Yes No . Verification found on page 10.

F. PUBLIC COMMENT PERIOD

Was the proposed action plan amendment published via the grantee jurisdiction’s usual methods and on the Internet for no less than 15 calendar days of public comment?

Yes No Verification found on page 14.

Is there a summary of citizen comments included in the final amendment?

Yes No Verification found on page 14-16.

G. INFORMATION BY ACTIVITY

Does the submission contain information by activity describing how the grantee will use the funds, identifying:

- eligible use of funds under NSP,
Yes No Verification found on page 17, 21, 24. 28, 30, 32.
- correlated eligible activity under CDBG,
Yes No Verification found on page 17, 21, 24. 28, 30, 32.
- the areas of greatest need addressed by the activity or activities,
Yes No Verification found on page 17, 21, 24. 28, 30, 33.
- expected benefit to income-qualified persons or households or areas,
Yes No Verification found on page 19, 23, 27. 29, 31, 34.
- does the applicant indicate which activities will count toward the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?
Yes No Verification found on page 19, 23, 27. 29, 31, 34.
- appropriate performance measures for the activity,
Yes No Verification found on page 19, 23, 27. 29, 31, 34.
- amount of funds budgeted for the activity,
Yes No Verification found on page 19, 23, 27. 29, 31, 34.
- the name, location and contact information for the entity that will carry out the activity,
Yes No Verification found on page 1.
- expected start and end dates of the activity?
Yes No Verification found on page 17, 21, 24. 28, 30, 33.
- If the activity includes acquisition of real property, the discount required for acquisition of foreclosed upon properties,
Yes No Verification found on page 19, 22, 26, 29, 33.

- If the activity provides financing, the range of interest rates (if any),
Yes No . Verification found on page 19, 22, 26, 29, 33.
- If the activity provides housing, duration or term of assistance,
Yes No . Verification found on page 18, 22, 25, 33.
- tenure of beneficiaries (e.g., rental or homeownership),
Yes No . Verification found on page 17, 18, 22, 25, 33, 34.
- does it ensure continued affordability?
Yes No . Verification found on page 18, 23, 26, 34.

H. CERTIFICATIONS

The following certifications are complete and accurate:

- | | | |
|--|---|-----------------------------|
| (1) Affirmatively furthering fair housing | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) Anti-lobbying | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) Authority of Jurisdiction | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) Consistency with Plan | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (5) Acquisition and relocation | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (6) Section 3 | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (7) Citizen Participation | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (8) Following Plan | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (9) Use of funds in 18 months | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (10) Use NSP funds \leq 120 of AMI | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (11) No recovery of capital costs thru special assessments | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (12) Excessive Force | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (13) Compliance with anti-discrimination laws | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (14) Compliance with lead-based paint procedures | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (15) Compliance with laws | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |