

**OCD'S EXPECTATIONS FOR  
REPLACEMENT HOUSING PROJECTS WITH COUNTY ALLOCATION FUNDS**

The MSHDA Office of Community Development (OCD) provides County Allocation grants to non-entitlement county governments throughout the State. Most often these funds are used to run countywide owner-occupied rehabilitation programs. In the course of administering such programs, OCD grantees often encounter applicants whose homes cannot be reasonably or feasibly rehabilitated. In such cases, demolition and replacement of the existing unit can be undertaken subject to standard funding limitations.

Counties may use their allocation funds to replace units as a part of their owner-occupied rehabilitation programs. This memo is intended to provide some guidance to County Allocation recipients when considering these replacement housing projects.

- **The Office of Community Development (OCD) expects replacement to be undertaken only as an activity incidental to local owner-occupied rehabilitation programs.**
- **Leveraging with USDA Rural Development (RD) and/or MSHDA Property Improvement Program (PIP) is encouraged for any applicant in need of replacement housing.**
- **A replacement unit should be a new double-wide from an approved dealer**
- **Replacement housing should not be used as a strategy to address the housing needs of a county, community or target area.**
- **The regular per-unit cost limits of homeowner rehab also apply to replacement.**

These considerations are explained in more detail below:

1. **Housing replacement with County Allocation funds can be undertaken only as an activity incidental to local owner-occupied rehabilitation programs.** Replacement should be considered only after determining rehabilitation is neither reasonable nor feasible.
2. **Leveraging with USDA RD and/or MSHDA PIP is encouraged for any applicant in need of replacement housing.**

County governments are urged to use USDA RD and/or MSHDA PIP as a primary resource for replacement housing projects so as not to drain their limited County Allocation resources. PIP can provide up to \$50,000 to replace a unit at interest rates as low as 4%, for more information please visit [www.michigan.gov/mshda](http://www.michigan.gov/mshda) . USDA RD direct loans can be at an interest rate as low as 1%. For more information you can visit <http://www.rurdev.usda.gov/mi/> .

**3. A replacement unit should be a site-built unit, or a new double-wide from an approved USDA RD dealer.**

When the county elects to use allocation funds for replacement, the county must assist the applicant in obtaining a high-quality replacement unit at a reasonable price. New site-built or modular homes must meet the Michigan Building Code.

A manufactured housing unit is eligible but must be (a) **new** and covered under dealer/manufacturers warranties, and (b) a double-**wide** as they are more likely to retain or increase in value, as compared to single-wide units.

The replacement unit must be purchased from a USDA RD approved manufactured home dealer. The USDA RD approved dealer can be found at the USDA RD Michigan web-site at <http://www.rurdev.usda.gov/mi/sfh/direct.htm>

**MSHDA may consider an exception to the new double-wide policy but in considering an exception, MSHDA will want answers to the following questions:**

- Can the borrower qualify for PIP, USDA RD and/or other financing of a new double-wide manufactured unit? If no, please provide reasons why they would not qualify.
- If no to question above, will the county's investment be relatively secure? (Is the value of the property sufficient to cover the county's lien and any other liens on the property?)

**4. Replacement housing should not be used as a strategy to address the housing needs of a county, community or target area.** Replacement housing is by its very nature *non*-strategic; given its high cost per unit, it should be considered a "last resort." Grantees seeking to revitalize target areas should work with local officials to prioritize local needs and develop a more versatile strategy.

**5. The regular per-unit cost limits of homeowner rehab also apply to replacement.** As with homeowner rehabilitation, OCD limits per unit funding to \$35,000. Prior to requesting an exception to exceed \$35,000 on a specific unit, grantees are expected to explore other alternatives (such as down payment assistance for relocation) to determine if they may be more cost-effective.

The Office of Community Development recognizes these are complex issues involving a wide range of considerations, both from the perspective of local program administrators and OCD, as a statewide public investor in these projects. These expectations are intended to help County Allocation grantees implement replacement housing projects maximizing benefits to the community and using scarce grant funds cost effectively.