

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT

SUBJECT: Leveraging Requirements

Policy Bulletin #18

EFFECTIVE DATE: September 26, 2006 (Updated July 2, 2008)

This Policy Bulletin is provided to clarify the Office of Community Development's (OCD's) leveraging requirements. Specifically, it serves to eliminate references to match where the requirement is actually MSHDA imposed for the purpose of bringing other resources to the project. **Note:** This OCD modification should not be confused with HUD's match requirements for HOME Participating Jurisdictions. The remainder of this policy will identify OCD required leveraging.

Leveraging Requirements

Other funds brought to a project to meet a federal or MSHDA requirement, or needed to successfully complete a project, are referred to as **leveraging funds**. **The three most common examples of an OCD leveraging requirement are:**

1. The local PJ leveraging requirement for nonprofits operating in a HOME PJ. 100% of the funds requested by the nonprofit from OCD must be leveraged or matched by the local PJ. The dollars may be federal or non-federal but must be committed by the local unit of government. The typical sources are local HOME funds, local Community Development Block Grant (CDBG) funds, or local general funds.

2. The Homeowner Rehabilitation leveraging requirement. 25% of the funds requested and awarded to a grantee for homeowner rehabilitation activities must be leveraged from other sources. This is an overall leverage requirement not a project by project requirement. (If a Grantee has \$100,000 allocated for "homeowner rehabilitation, then \$25,000 in leverage is required) These dollars may be federal or non-federal but may not be from other OCD awarded funds. Typical sources are MSHDA Property Improvement Program (PIP) loans, Rural Development (RD) funds, Department of Energy Weatherization funds, MSHDA Replacement Housing Program (RHP) funds, Federal Home Loan Bank (FHLB) funds, or homeowner funds.

NOTE: Program income is not a source of leveraging; however, funds leveraged with CDBG Program Income dollars can be counted as leverage.

To count other funding as "leveraging" there must be some OCD funds or CDBG Program Income funds for rehabilitation hard costs in the project. If the OCD dollars are HOME funds, there must be at least \$1,000 of OCD money in the project. There is no minimum dollar amount required for CDBG or MSHDA (state) funds in the project. Projects funded 100% with MSHDA PIP or RHP do qualify to meet the leveraging requirement, if the Grantee is the MSHDA RHP or PIP Agent that processes the loan.

NOTE: MSHDA OCD implemented in June of 2000, a financial incentive to leverage other resources with OCD funds for homeowner rehabilitation. This incentive is outlined in OCD Policy Bulletin #21 (Eligible Administrative Expenses).

Leverage requirement exemption for County Allocation Grantees that choose non-forgivable loans. County Allocation Grantees that choose non-forgivable loans (deferred payment loans or loans paid back in scheduled installments) for their homeowner rehabilitation program are exempt from the overall 25% leverage requirement. MSHDA, however, still encourages leveraging and requires that counties complete the monthly Leverage Fund Summary. Additionally, households with incomes above 60% AMI are required to contribute a portion of the project costs from another source – See Policy Bulletin #16 for more details.

3. The Rental Rehabilitation leveraging requirement. For rental rehab activities, the property owner is required to bring to the table at least:

- 25% of the total project cost when tenant household incomes do not exceed 60% of the area median income (AMI). (Requirement for all HOME-assisted projects.); or
- 50% of the total project cost when tenant household incomes do not exceed 80% of the AMI. (Generally, a requirement for all CDBG-assisted projects.); or
- In an approved Neighborhood Preservation Program (NPP) area, Downtown Revitalization area, or other targeted area (e.g., Empowerment Zones, Renaissance Zones, or Enterprise Communities), MSHDA will consider a 25% leveraging requirement from the property owner when assisting tenant households with incomes not exceeding 80% of the AMI. (Please refer to Policy Bulletin #16 for additional clarification on eligible recipient/tenant household incomes.)

Typical sources are MSHDA PIP funds, private lender funds, or the property owner's own funds.

Any questions regarding this Policy Bulletin should be addressed to your Community Development (CD) Specialist or CD staff at (517) 373-1974.