

The Employer-Assisted Housing Fund is a housing development investment tool that will bring employers, local units of government, housing development professionals, and the State of Michigan together to produce much needed housing solutions for income-eligible households. Using MSHDA's Missing Middle Housing Program infrastructure (underwriting standards, online portal, staffing, and income targets of 60 to 120% of Area Median Income (AMI), this program will incentivize employers to address the housing needs of their employees and others who meet income eligibility by matching their own investment with resources that only the State of Michigan can provide.

Employers that contribute matching funds—whether through cash investments, land donation, a below-market interest loan, or some combination thereof—may qualify for resources through the Fund to help develop new housing options.

FUND OVERVIEW

During this state's post-pandemic economic growth, no other issue has been discussed more than "Workforce Housing" or more specifically, the lack thereof. Business leaders and locally elected officials alike have repeatedly reported to Lansing that this issue has been clearly identified as an obstacle to that growth than the lack of "workforce housing." Some employers have been trying to solve this problem on their own and quickly realized they are not equipped to make much of a difference. And the problem is only growing.

According to the Bureau of Labor Statistics (BLS) and the Building Permits Survey (BPS) from the US Census Bureau, between 2014 and 2023, the United State produced one (1) new housing unit for every six (6) new jobs. In Michigan that ration was much worse – we created one (1) new housing unit for every fourteen (14) new jobs created. This is a ratio that is unsustainable for real growth in Michigan. Clearly, our job opportunities are growing but our housing opportunities are not.

Further, the Bureau of Labor Statistics (BLS) also recently reported that in 2022 the median wage for the "Top 5" occupation groups is at below \$40k per year. This means that for those new jobs, a rent of about \$1,000 per month is necessary for household to NOT be "housing burdened." If there is something that our employers have long noticed it is that this rent target does not exist in the housing ecosystem without some form of subsidy.

Employers felt the need to try to address the problem themselves with varying results, but nearly all have reported that they needed some help through additional resources and broader coordination. In response, MSHDA launched an "Employer Assisted Housing Guide" in July of 2024. This was a direct response to the numerous inquiries we received from employers looking for assistance. We knew immediately after launching this site that we needed to do something more substantial.

The Employer-Assisted Housing Fund is a bold, state-funded initiative designed to help employers invest in housing solutions for income-eligible households. By bringing together employers, local governments, housing professionals, and MSHDA, the Employer-Assisted Housing Fund tackles one of Michigan's most pressing economic challenges, ensuring workers have access to affordable homes near their jobs.

Utilizing MSHDA's Missing Middle Housing Program infrastructure (underwriting standards, online portal, staffing, and even income targets of 60 to 120% of AMI, the Fund will reward employers that have been proactive in addressing the housing needs of their employees by matching their investments.

Employers that contribute matching funds—whether through cash investments, land donation, a below-market interest loan, or some combination thereof—may qualify for resources through the Fund to help develop new housing options.

Both homeownership and rental opportunities will be created with this program, and MSHDA estimates that approximately 150-200 households may be served with this \$10 million investment.

FUND GOAL

To incentivize employers to participate in the creation of housing opportunities for the local workforce – households served will be below 120% of AMI.

Rental households in the ALICE (Asset Limited, Income Constrained, Employed) demographic could see significant increases in job opportunities due to the increase in rental opportunities – families in this demographic are often not eligible for housing assistance but often fill crucial jobs in their communities.

SIZE OF FUND

This is a pilot initiative that will use \$10 million appropriated by the state Legislature through the Fiscal Year 2025 budget allocation.

FUNDING POOL TARGET AND TIMING

MSHDA anticipates launching the pilot within 60 days of Board approval with Monday, February 24, 2025, as the target date to open the application portal.

The following is the approximate division of the \$10 million pilot fund:

1. Large Business Pool = Up to \$8 million (capped at \$2 million per project)
2. Small Business Pool = At least \$2 million (capped at \$500,000 per project or program)

LIMITS AND TARGETS

GEOGRAPHIC LIMITS:

CITY/VILLAGE/TOWNSHIP

Only one grant will be made within a single city, village, or township during the pilot, regardless of the number of eligible applicants within that municipality.

APPLICANT LIMIT

For purposes of this fund, applicants may only submit one (1) application in either funding pool. Should MSHDA determine that this limit is an impediment to achieving the distributions of the resources, it reserves the right to waive this limit.

If a developer partners with another developer, that joint application would count as each partner's only submission during this pilot.

GEOGRAPHIC TARGETS:

PARTNERSHIP REGIONS

The proposed project must be consistent with a priority in the corresponding regional action plan. Specific regional targets that correspond to the Statewide Housing Plan may be considered if future funding is secured.

RURAL COMMUNITIES

There is no rural target for this fund. Rural projects are eligible to apply. Future funding may include a target of the total funding available to be allocated to projects in rural communities.

For purposes of this fund, a rural community is any geography designated by the U.S. Department of Agriculture – Rural Development as rural for purposes of its single-family housing guaranteed loan program.

PROJECT TARGETS:

SMALL PROJECTS

Due to the limits of the funding pool, there is no small project target but small projects that are composed of less than 12 total units will be identified and reported.

PROJECT LIMITS:

For real estate development projects, the grant amount may not exceed \$100,000 per affordable unit.

PROGRAM LIMITS:

For down payment assistance (DPA), the grant may not exceed the lesser of the employer's contribution to the transaction or \$50,000.

FUNDING DISBURSEMENTS

Employer-Assisted Housing Funds may be available for disbursement to real estate projects at the project's closing once a MSHDA grant agreement, and a use restriction to be recorded against the property securing affordability for a term of years, has been executed.

For down payment assistance, funds will be available for disbursement after a MSHDA grant agreement has been executed.

INCOME TARGETING

The Employer-Assisted Housing Fund is intended to serve households with incomes at or below 120% of AMI, as posted annually on MSHDA's website.

ELIGIBLE APPLICANTS

Applicants for the Employer-Assisted Housing Fund are required to meet the following:

1. Be organized as a land bank, local unit of government, for-profit corporation, or nonprofit organization. Housing development organizations that develop or manage real estate are ineligible applicants.
2. An applicant must:
 - a. Pass a criminal and civil background check of key employees; and
 - b. Not be under debarment with the U.S. Government; and
 - c. Not be part of a housing development organization.
3. Demonstrate to MSHDA that it has the capacity to complete the project, either with or without a development partner, and the ability to implement rent and purchaser restrictions for the terms that will be specified in the agreement for a project.

LOCAL SUPPORT

Development projects must demonstrate local support. This may be shown as one, or a combination, of the following:

1. Financial contributions
2. Tax abatement
3. Tax Increment Financing
4. Land transfer from the local government at a cost of not more than \$1,000 per unit
5. Letter of support or resolution from the local unit of government detailing how the project contributes to addressing the housing needs in the community

MSHDA staff reserve the right to make any final determination if this requirement is met.

EMPLOYER MATCH

MSHDA will match an employer contribution on a one-to-one ratio, up to the maximum grant amount. Employer match may include cash investments, land donation, a below-market interest loan, or some combination thereof. Developer equity is not considered an employer contribution.

Philanthropic contributions, including funding from government, financial institutions, and community development financial institutions, cannot be the source of the employer match.

LOW-INCOME HOUSING TAX CREDIT FINANCING

The Employer-Assisted Housing Fund is not intended to be a gap financing program for Low-Income Housing Tax Credit (LIHTC) projects. Applicants that are intending to use EAH funding must agree that they are not using and will not use the LIHTC program as part of the financing of the development.

GENERAL ELIGIBILITY FOR PROGRAMS AND DEVELOPMENTS

Eligible real estate developments must comply with the following:

1. Project must consist of new construction or substantial rehabilitation (or a combination of both) of one or more housing units made available at a price or lease rate that is attainable to a household at or below 120% AMI.
2. Substantial rehabilitation means rehabilitation of a housing unit that requires a financial investment of at least \$25,000.
3. Rental housing or for-sale housing (or combination thereof).

Qualifying unit(s) must be a dwelling of less than 2,000 square feet, is available for sale or lease on a permanent or year-round basis, and that is/has been placed on a permanent foundation, with electrical, heating and cooling, plumbing, bathing and restroom facilities,

kitchen and sleeping spaces - all of which meet building code requirements to achieve a certificate of occupancy.

Eligible DPA programs must target households at or below 120% AMI.

ACCESSIBILITY

MSHDA recognizes the need for more accessible and adaptable housing and wishes to encourage the building of it with this funding. Based on CDC data Michigan has a 27% disability rate among adults, meaning one out of every four adults in Michigan has a disability, with 12% being mobility, 6% hearing and 4% vision. The older adult population in the state is growing and so is the need to build housing designed to age in place. Investing in accessible and adaptable housing using Employer-Assisted Housing Funds will address these demands and further equitable housing opportunities.

When MSHDA refers to "building accessibility" this refers to the Michigan Building Code, International Code Council, Fair Housing Act, and the Uniform Federal Accessibility Standard as the source for three levels of accessibility. The construction industry uses the terms Type A, Type B, and Type C units from the building code. For Type C units, MSHDA reserves the right to allow for exceptions.

The minimum percentage of each unit type that is required by this program is described below:

New Construction:

20% of the units must be adaptable/Type B (4 or more units in the same building); every unit must be at least visitable/Type C.

Rehabilitation:

Developers are encouraged to make as many units adaptable and/or visitable as possible, but MSHDA will not require either should it be unreasonable to retrofit.

Physically Accessible Housing:

Both privately owned and publicly assisted housing, regardless of whether the housing is rental or for sale, must meet the accessibility requirements.

MSHDA reserves the right to allow for exceptions on a case-by-case basis.

SIZE OF GRANT AWARD

The final grant amounts will be determined by MSHDA and posted on MSHDA's website. MSHDA reserves the right to update these figures as necessary to account for annual

economic inflation, changes in market conditions, or to ensure the overall success of the program. In doing so, MSHDA will post updates to these figures on its website.

The maximum grant amount to a single development project is \$2 million.
The maximum grant amount to a single program is \$500,000.

The minimum grant amount to any single development project or single program is \$50,000.

REVIEW CRITERIA

For any real estate development project, the following items must be uploaded to the program portal for MSHDA staff review as part of the Employer-Assisted Housing Fund application:

1. Executive Summary
2. Program Application
3. Funding Pro-Forma
4. Financial Sources (with supporting documentation)
5. Scope of Work
6. Trade Payment Breakdown
7. Construction Funding Schedule
8. Articles of Incorporation
9. Certificate of Good Standing/able to do business in the State of Michigan
10. Joint Venture (if applicable)
11. Community Engagement
12. Site Control
13. Title Insurance Commitment
14. Zoning Documents
15. Site Plan Approval
16. Site Utility Availability
17. Proposed Site Layout
18. Architectural Floor Plan(s)
19. Property Tax Documentation (if applicable)
20. Market Study
21. Environmental Study (if required)
22. Tenant Relocation documentation (if applicable)

To be considered “ready to proceed,” all required exhibits must be submitted and determined substantially complete.

Should MSHDA staff determine that the application is not substantially complete, the applicant will be notified that the application will not be further processed or added to the processing pipeline until it is complete.

Once an application is deemed substantially complete, MSHDA staff will begin review of the application and may ask clarifying questions and accept additional information to verify or substantiate aspects of the project that are not apparent based on the initial documentation submitted

Projects that are approved and awarded a grant will be required to close on project financing and begin construction within three (3) months of receiving the Employer-Assisted Housing Fund grant approval letter. This deadline will be extended on a case-by-case basis in MSHDA's sole discretion.

This requirement is intended to ensure that applications are ready to proceed when applying for EAH funding and to ensure that the EAH funding is awarded to developments that will utilize it in a timely fashion.

For any DPA program, the following must be uploaded to the program portal for MSHDA staff review as part of the EAH application:

1. Executive Summary
2. Program Description
3. Financial Sources (with supporting documentation)
4. Articles of Incorporation
5. Certificate of Good Standing/able to do business in the State of Michigan
6. Supporting documentation of capacity to administer program

PROJECT FUNDING TIMELINE

Projects must be ready to proceed prior to application. This means that the proposed project must demonstrate site control, site plan approval, and full financing of the entire capital stack (as evidenced through financial commitment letters from all applicable sources) to be considered ready to proceed.

Additionally, the following deadlines apply:

Pre-Closing Deadline:

Projects that are awarded an Employer-Assisted Housing Fund grant are required to close on project financing and begin construction within three months of receiving the grant approval letter. This deadline may be extended on a case-by-case basis at MSHDA's sole discretion.

Post-Closing Deadline:

Projects must secure a Certificate of Occupancy within 24 months from execution of the grant agreement; the developer may seek an extension from the program administrator that cannot exceed a total development time of 36 months.

Extensions of these deadlines may be granted at the sole discretion of MSHDA. In the event an extension of a deadline is allowed a fee equal to 1% of the grant funding amount will be charged.

Projects are required to submit quarterly progress reports.

GRANT AND PROJECT COMPLIANCE

The Employer-Assisted Housing Fund will have at a minimum, compliance requirements as follows:

1. Ten-year compliance period for rental units with the amount of potential recapture reduced by 1/10th per year over the 10 years.
2. Five-year compliance for primary residence "for-sale units" and DPA transactions from the date of purchase of the qualified property or the completion of the substantial rehabilitation, with the amount of potential recapture equal to 50% of the net gain from the date of the sale of the qualified property, reduced by 10 percentage points for each year during the first 5 years that the eligible applicant lives in the home.

After the compliance period, the grant will be fully forgiven.

Following disbursement of funds to or on behalf of the developer, each housing unit identified in the grant agreement and other applicable program documentation, will be required to demonstrate compliance with Employer-Assisted Housing Fund requirements at initial occupancy of the unit or when a unit is vacated, and a new household moves in.

At the time when the Certificate of Occupancy is secured, projects will be required to report the following items to MSHDA staff:

1. Total number of units developed within project
2. Number of units qualifying for the grant
3. Total square footage of project and square footage of each unit type
4. Total project costs. More guidance will be forthcoming regarding how projects will be required to verify the total project costs, such as with a third-party CPA Cost Certification
5. Total project costs not covered under the grant

Additionally, projects may be required to report the following on an annual basis:

For-Sale Units:

1. The price of each unit that is sold during the reporting year as well as tenant income verifications as may be required.
2. Other documentation as required by MSHDA to determine compliance with the Employer-Assisted Housing Fund requirements.

Rental Units:

1. A statement of the rental rate of each housing unit for rent within the project during the reporting year
2. A statement of the income stated on the tenant applications for the project during the reporting year
3. A statement of the occupancy rate of the project during the reporting year

The period of compliance is 10 years for rental units and five years for for-sale units. This includes demonstrating the units meet the rent and income requirements of the Employer-Assisted Housing Fund, or the sale price of the unit is considered attainable to an income-eligible household.

MSHDA staff will determine the appropriate processes for ongoing project and program reporting. This will also include long-term monitoring post construction.

FUND REVIEW

MSHDA staff will review the program at the completion of the pilot for both effectiveness of the Employer-Assisted Housing Fund and the efficiency of the distribution of grants. A report will be presented to MSHDA prior to the commencement of any additional funding rounds.

MODIFICATION, NOTIFICATIONS, AND ADDENDA

MSHDA may modify the pilot Employer-Assisted Housing Fund, add additional grant requirements, or waive requirements to address unforeseen, unpredictable, or insurmountable changes to the housing development environment. Additionally, MSHDA may adjust this pilot fund to maximize benefit or to resolve any administrative errors made during the processing of applications.

All modifications, notifications, and addenda will be posted in a timely manner to the Employer-Assisted Housing page on MSHDA's website.