

State of Michigan Draft Housing Trust Fund Allocation Plan

Overview

The Housing Trust Fund (HTF) is a new federal affordable housing production program that will complement existing state efforts to increase the supply of affordable housing for extremely low and very low-income households, including homeless families and individuals and persons with special needs. Congress established the HTF through the Housing and Economic Recovery Act of 2008 (HERA). On January 30, 2015, HUD published an Interim Rule which guides implementation of the HTF by states.

In years that total HTF funding exceeds \$1 billion nationally, at least 75% of each state's allocation must benefit households at or below the federal extremely low income (ELI) level, which is 30% of area median income, or households with income below federal poverty level (whichever is greater). Up to 25% may be used to benefit very low income (VLI) households (those at or below 50% of area median income). However, in years when total national funding is less than \$1 billion, 100% of each state's allocation must benefit ELI households. In 2016, HUD made just over \$173 million available. Thus, it is likely that the program will serve 100% ELI households for the foreseeable future.

The Governor has designated the Michigan State Housing Development Authority (MSHDA) as the entity to administer the HTF in Michigan.

The State is responsible for distributing HTF funds throughout the State according to its housing priority needs. In addition to revising the AP- 30 Method of Distribution screen in IDIS, the State must respond to the following questions.

- 1. Will the State distribute HTF funds through grants to subgrantees? If yes, describe the method for distributing HTF funds through grants to subgrantees and how the State will make those funds available to units of general local governments. If no, state N/A. Please attach response if you need additional space.**

Not Applicable. MSHDA does not intend to use subgrantees.

- 2. Will the State distribute HTF funds by selecting applications submitted by eligible recipients? If yes, describe the eligibility requirements for applicants as defined in §93.2- definition of recipient. If no, state N/A. Please attach response if you need additional space.**

MSHDA will distribute funds by selecting applications submitted by eligible recipients. Eligible recipients will include a non-profit or for-profit organization, or a public housing authority that will serve as the owner or developer of affordable rental housing.

Applicants for HTF funding must meet minimum qualifications and demonstrate the proficiency of the development team. In their applications or before loan approval, eligible recipients must:

- Certify to MSHDA that they will comply with all requirements of the program and that housing units assisted will comply with HTF requirements;
- Provide a description of the eligible activities to be conducted with the HTF funds;
- Demonstrate their financial capacity to undertake, comply with and manage the eligible activities, including compliance with the financial requirements and standards shown in MSHDA's Direct Lending Parameters.

No proposal will be accepted so long as any member of the sponsor's development team or any other party who, directly or indirectly, has the ability to control a member of the development team or exercise significant influence over a member of the development team in making financial and operating decisions:

- Is in default or in material non-compliance with the Low Income Housing Tax Credit (LIHTC) or any other MSHDA program;
- Has outstanding flags in HUD's national 2530 National Participation system; or
- Has been debarred or suspended from any MSHDA, HUD, or Rural Housing programs.

In addition, a history of defaults or material acts of non-compliance, even if none are currently outstanding, may preclude acceptance of a proposal until appropriate assurances of the development team member's ability to comply is given.

3. Will the State distribute HTF funds by selection applications submitted by eligible recipients? If Yes, describe all the criteria that will be used to select applications and the relative importance of these criteria. At a minimum, as required in §91.320(k)(5)(i), the selection criteria must include:

- **Priority based upon geographic diversity**
- **Applicant's ability to obligate HTF funds**
- **Applicant's ability to undertake eligible activities in a timely manner**
- **For rental housing, the extent to which the project has Federal, State or local project-based rental assistance so rents are affordable to extremely low-income families**
- **For rental housing, the duration of the units' affordability period**
- **The merits of the application in meeting the State's priority housing needs (please describe)**
- **The extent to which application makes use of non-federal funding sources**
- **Other (please describe). Please attach response if you need additional space.**

MSHDA will distribute funds via a rolling application window that will be announced in approximately September of 2016. Distribution will be made statewide. Applications will be scored with equal consideration being given in each of the following areas:

- (1) Readiness to proceed including the ability to expend funds in a timely manner and achieve required expenditure benchmarks;
- (2) Availability of project based subsidy for extremely low-income tenants;
- (3) Proximity to appropriate amenities including compliance with site selection criteria and state place based priorities;
- (4) Capacity of the development team;
- (5) Availability of Support Services;

(6) Leveraging of non-federal sources (equity from federal tax credits will be considered federal for purposes of this calculation);

(7) Need for the funds to complete the development – including whether all other sources of subsidy have been sought and an analysis of whether the transaction can proceed without HTF.

MSHDA anticipates receiving HTF funding annually. In 2016, HTF funding in the amount of \$3,170,360, which is equal to 90% of its \$3,522,622 award, will be distributed competitively through a rolling window. Depending on demand funding in subsequent years may be made through funding windows. The remaining 10% will be used towards planning and administrative costs associated with the program.

Given the requirements of the program and the need for rental housing affordable to ELI households in the state, MSHDA will use HTF program funds to provide affordable rental housing to ELI households. It is anticipated that units financed under this program will be integrated into general occupancy affordable housing properties serving family and elderly households, that are financed using MSHDA tax-exempt or taxable bond products, LIHTC or federal historic tax credits.

All applicants seeking HTF funding must complete MSHDA's application located on the MSHDA website.

Eligible Developments

Any new construction, adaptive re-use, or rehabilitation of a multifamily rental housing development in Michigan including existing affordable housing and small scale rental developments are eligible to apply.

Nursing homes, adult foster care homes, rooming houses, student housing, transient housing and single room occupancy developments are all considered ineligible.

Eligible Project Costs

- Acquisition costs
- Hard and soft construction costs
- Demolition
- Operating Reserves

Form of Assistance

Assistance to project will be made in the form of equity investments or loans to the project.

Income Targeting

All HTF Units in Eligible Projects must be targeted at households with incomes at or below 30% of the Area Median Income (AMI).

Affordability Period

Applicants must commit to keeping HTF units affordable, including all applicable income and rent restrictions of a period of no less than 30 years from the point of Project Completion.

Maximum Per-Unit Development Subsidy Amounts

MSHDA will utilize the limits that have been established for its HOME program to govern the HTF.

Rehabilitation Standards

All projects must comply with MSHDA's Multifamily Standards of Design, as shown at http://www.michigan.gov/mshda/0,4641,7-141-5587_26092---,00.html. All developments must also comply with Uniform Federal accessibility Standards and property standards shown at 24 CFR 92.251.

Underwriting and Subsidy Layering

MSHDA will solicit applications for funding through an annual process. Applications will be scored by a staff level review committee, and presented to the Authority Board for approval. All successful applicants must comply with MSHDA underwriting criteria and adhere to the requirements of other applicable MSHDA programs.

State Preferences

MSHDA will preference projects that create units for Veterans with these funds. Developments that screen for Veteran status when establishing wait lists for available HTF units and units will be offered to Veterans first. A Veteran is defined as any member of the household that has served in Active Duty, Reserves or National Guard as established through a DD-214 or NGB 22.