

American Rescue Plan Act + GR Affordable Housing Fund Strategy

City Commission has earmarked \$5M in ARPA funds to be prioritized for affordable housing with recommendations from the Affordable Housing Fund Board.

GR Affordable Housing Fund Board should be thinking about immediate housing needs and long-term sustainability of the housing fund.

Housing Updates At-A-Glance

Expanded Presumptive Eligibility:


Option 1

- Treasury has clarified that there are four core program requirements of these federal housing programs that must be met for presumptive eligibility:
 - » Resident income restrictions;
 - » The affordability period and related covenant requirements for assisted units;
 - » Tenant protections; and
 - » Housing quality standards.



Housing Updates At-A-Glance

Expanded Presumptive Eligibility: Option 2

- SLFRF-funded affordable rental housing investments under the PH-NEI eligible use category are presumptively eligible if the units funded serve households at or below 65% of AMI for a period of 20 years or greater.
 - A broader range of affordable housing investments may also be eligible uses of SLFRF funds under the final rule if they are related and are reasonably proportional to addressing the negative economic impacts of the pandemic and otherwise meet the final rule’s requirements. Depending on the needs of the local rental market, it may be reasonably proportional to address the negative economic impacts of the pandemic by funding units (e.g., up to 80% AMI) that do not fall into the presumptively eligible categories listed in Option 1 or Option 2.
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Layering SLFRF with Other Funding Opportunities

Flexible funding for new construction and substantial rehabilitation of affordable housing

- LIHTC projects
- Federal Housing Administration (FHA) multifamily mortgage insurance
- HOME and HTF
- HOME-ARP
- Project-Based Vouchers (PBVs)
- Recapitalization of Public Housing through HUD's Rental Assistance Demonstration (RAD)
- Community Development Block Grants (CDBG) and Section 108 Loan Guarantee Program



Layering SLFRF with Other Funding Opportunities

Rehabilitation and Adaptive Reuse


- Recipients may use SLFRF to acquire properties that will be transitioned into affordable housing for households that experienced the negative economic impacts of the pandemic.
- This could include **acquisition** of market rate rental properties, motels, or commercial properties that will be converted to affordable housing, or acquisition and **preservation** of publicly supported affordable housing.
- SLFRF may finance **retrofits and weatherization** of properties to improve energy efficiency, potentially by leveraging new federal funding such as the Department of Energy's Weatherization Assistance Program, or infrastructure resources.



Additional Uses of Funds

Predevelopment

Recipients may use SLFRF to help fund pre-project development activities, which could include site work and land acquisition, that precede housing development or rehabilitation of affordable housing.

- **Land acquisition:** Recipients may use SLFRF to acquire land for future development or within existing land acquisition programs for purposes of affordable housing investments, including those funded with CDBG or Section 108 Loan Guarantee Program funds.
 - **Predevelopment and site work:** SLFRF may be used for predevelopment activity and site work to lay the ground for affordable housing development. Recipients planning to layer SLFRF with HOME for new construction should review HUD environmental review and planning requirements.
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Housing Investment Capital Needs

01
Housing Stability

Eviction Prevention
Affordable Housing
Preservation
Energy retrofit &
emergency home
repairs

02
Housing Supply

Acquisition &
predevelopment
Collateral Support
Soft debt & Equity
replacement for
new construction.

03
Homeownership

Down Payment
Assistance
Soft debt
Equity replacement
Collateral Support

04
Equitable Growth

New Developer
Training
Access to Capital
Accessory Dwelling
Units for qualified
households

“Affordable” means paying 30% or less of your household’s gross income (before tax). This should include **rent + utilities** or **mortgage + taxes + insurance**.

Kent County					4/01/22		Rent Limits	
Income segment	1-person Household		2-person Household		3-person Household		4-person Household	
	Income	Max Rent	Income	Max Rent	Income	Max Rent	Income	Max Rent
30% AMI	\$18,810	\$470	\$21,480	\$537	\$24,180	\$604	\$26,850	\$671
40% AMI	\$25,080	\$627	\$28,640	\$716	\$32,240	\$805	\$35,800	\$895
50% AMI	\$31,350	\$783	\$35,800	\$895	\$40,300	\$1,007	\$44,750	\$1,118
60% AMI	\$37,620	\$940	\$42,960	\$1,074	\$48,360	\$1,209	\$53,700	\$1,342
80% AMI	\$50,160	\$1,254	\$57,280	\$1,432	\$56,420	\$1,612	\$62,650	\$1,719
100% AMI	\$62,700	\$1,567	\$71,600	\$1,790	\$80,600	\$2,015	\$89,500	\$2,237

Existing Funding Sources for Affordable Housing

Existing Program	Market Served	GR Utilization	Leverage Opportunity	Investment Category
Low Income Housing Tax Credit (LIHTC) 9%	40% - 80% AMI*	Very High	Low - Modest	Housing Supply
LIHTC 4%	40% - 100% AMI	Low	High	Housing Supply
Housing Choice Voucher	30% AMI and below	High	Modest	Housing Stability
Eviction Prevention Program	50% AMI and below	Modest*	High	Housing Stability
Down Payment Assistance	80% AMI and below	Modest – High	Modest	Homeownership

**Projects which incorporate permanent supportive housing for those earning at or below 30% AMI often score well for funding, however, the necessary supportive services are not funded via LIHTC. Additional funding would be necessary.*

Low Income Housing Tax Credit (LIHTC) 9 % vs 4%

Program Type	Avg Project size	Incomes Served	Gap Funding Needed
The 9% tax credit funds roughly 75% of total project costs, is highly competitive, and has limited funding availability. About ¼ of all projects submitted to the State each year receive funding.	50 – 60 units	30% - 80% AMI	\$1M - \$2M Grant Or supportive services funding for PSH units
The 4% tax credit funds roughly 35% of total project costs, is non-competitive, and has no funding limit.	120 – 200 units	40% - 100% AMI	\$2M - \$5M mezzanine Loan Or \$2M - \$5M Bridge Loan

Supply

Housing Choice Voucher

Stability

The HCV is administered by the Grand Rapids Housing Commission and is prioritized for households earning at or below 30% AMI.

HCVs are very limited relative to demand. Roughly $\frac{1}{4}$ of eligible households receive a voucher and many households wait years before receiving a voucher.

Very often, when a household does receive notification that a voucher is available, there are significant barriers to utilization. This can include access to proper documentation (i.e. Social Security card, birth certificate, drivers license) or unwillingness of a landlord to accept the voucher holder due to previous rental history, criminal record, or outstanding utility bills.

Funding support to ensure households have proper documentation and can meet a landlord's standards for acceptance could improve the utilization of vouchers.

Eviction Prevention Program

Stability

Prior to the COVID-19 Pandemic, the City of Grand Rapids helped to lead a highly effective eviction prevention and diversion program with the District Court. However, due to the eviction moratorium which began in mid-2020 and extended for nearly 2 years, the City's program was put on hold.

Legal Aid of West Michigan and the Essential Needs Task Force are now warning of a new wave of evictions in the coming months. The average cost to evict a tenant is nearly \$6,000, while the average amount of unpaid rent prior to an eviction is often far less.

Down Payment Assistance

The City of Grand Rapids and the Michigan State Housing Development Authority both offer down payment assistance to qualified homebuyers.

MSHDA offers up to \$10,000 and the City of GR offers up to \$7,500

The primary barriers to higher utilization of these programs include lack of available housing supply within an affordable price range, limited income and/or poor credit history.

Stability

**Homeowner
ship**

Potential Program	Market Served	Leverage Opportunity	Limitations	Investment Category		
Preservation of NOAH & Existing Affordable Housing	40% - 100% AMI	The cost to acquire and preserve existing housing is often 1/3 to 1/2 the cost of new construction	Opportunities to leverage existing State or Federal funding are more limited	Supply	Stability	
Energy retrofit & Emergency Repairs	30 - 60% AMI and below homeowners	Often supports legacy homeowners with little or no mortgage obligation	This may not help new homebuyers or renters.	Stability	Home ownership	Equity
Soft Debt as equity replacement	Developers working to serve households earning at/below 80% AMI	Opportunity to leverage significant new development	Requires \$1M+ in funding for every 50 units. Does not serve very low-income residents.	Supply		Stability
LIHTC Gap Financing	Homeowners at 60% AMI and below	Leverages state & federal programs to maximum low/moderate income housing production	Project size and construction type are heavily constrained by state/federal program rules	Supply		Stability
Equitable Developer Initiative	First-time developers with specific focus on women and	Helps to create a stronger and more diverse network of developers	Access to traditional financing is more difficult without a balance sheet.	Supply	Equity	

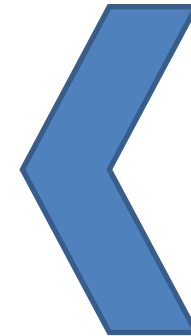
Potential Program	Market Served	Leverage Opportunity	Limitations	Investment Category	
Eviction Prevention	Households at-risk of eviction due to non-payment of rent.	Some local non-profit partners have structured 0% loans to assist with back-rent and work with families to stabilize	This primarily stabilizes families already housed. Does not add new supply. Also requires more robust staffing costs.	Stability	
Rapid Rehousing Assistance	Individuals and families who have lost housing but are capable of stabilizing with the right temporary supports.	Utilizes existing rental units already within the community. Several non-profits already provide this service.	There are not always housing units available in the current market.	Stability	
Permanent Supportive Housing	Chronically Homeless or individuals unable to work	This housing solution tends to address the most visible elements of homelessness.	Requires significant supportive services in many cases which means additional cost for case workers and health specialist	Supply	Stability
ADU Equity & Collateral Support	Homeowners at 80% AMI and below	Create income source to support wealth creation for moderate income homeowners	Traditional Bank Financing is not available until after 2 years of rental history is established	Supply	Stability
				Homeownership	Equity

Decisions for the Housing Fund Board to Discuss

While the size of the Affordable Housing Fund is still relatively small compared to the scope of the housing needs, the affordable housing fund board must consider how to prioritize limited investment capacity. The \$5M in American Rescue Plan Act funds must be allocated quickly.

Assuming that equity and sustainability are core elements to any investments, the board could choose to prioritize funding based upon one or more of the following metrics:

- Number of total households served
- Number of new housing units created
- Number of very low or low-income households served
- Number of new opportunities for wealth creation
- Progress toward functional homelessness
- One-time grant awards vs Revolving Loan Fund



There is some overlap across these potential priorities, but they do not align perfectly. An emphasis in one area will reduce productivity in another.

Next Steps

Request for Proposals

- Draft RFP and refine expectations (Oct – Dec)
 - Consider committee structure for a working sprint
- Issue RFP (Jan 1 – Feb 15)
- Review Proposals and make Award selections (before March 30th, 2023)

Long-term Fund Strategy

- Craft a strategy for long-term funding priorities of non-ARPA funds.
- Devise strategy for additional investment in AHF and alignment across housing system (public/private/philanthropic)
- Establish time-limited goals for fundraising and future investments