

**CITY OF DETROIT**  
**Housing & Revitalization Department**

**Housing Rehabilitation and Development Program**

(2019 HOME/CDBG Development Program NOFA)



**NOTICE OF FUNDING AVAILABILITY (NOFA)**

**AND**

**APPLICATION PACKAGE**

Michael E. Duggan, Mayor  
Donald Rencher, Director

## **Housing Rehabilitation and Development Program Application Award Process**

*Tentative Schedule and Subject to Change*

<b>Event</b>	<b>Date</b>
Pre-2019 Fast Track Award Round Opened	November 16, 2018
Pre-2019 Fast Track Award Round Deadline	December 3, 2018 5:00 p.m.
Pre-2019 Fast Track Award Round Conditional Award Letters	Rolling until December 14, 2018

The 2019 Affordable Housing Leverage Fund (AHLF) Regular Award Round is tentatively scheduled to open in January 2019 with a final deadline to submit in late February 2019. Further details will be published when the dates have been finalized.



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## INTRODUCTION TO AVAILABLE FUNDS AND PROGRAM GOALS

The City of Detroit is making housing development funds available through its NOFA to support the preservation, rehabilitation and/or development of affordable housing units in the City of Detroit. Funding sources to be made available are identified as:

- HOME Investment Partnerships (HOME) Program through the U.S. Department of Housing and Urban Development (HUD)

In place of HOME funds, the City of Detroit in its sole discretion may choose to offer:

- Community Development Block Grant (CDBG) Program Funds through HUD
- NSP (Neighborhood Stabilization Program) 1 & 3 Program Income through HUD City of Detroit General Funds

The **Housing Rehabilitation and Development Program (HRDP)**, led by the City of Detroit's Housing and Revitalization Department (HRD), aims to strengthen public-private partnerships in order to achieve the following goals:

- Produce mixed-use, mixed-income multifamily housing developments in the city's neighborhoods through both new construction and adaptive reuse or rehabilitation of existing structures.
- Preserve affordability in both rent restricted, and naturally occurring affordable housing stock.
- Develop supportive housing for high-need homeless individuals and families.

HOME funds through this NOFA can only be used for housing development for low- and moderate-income households. The City of Detroit prefers to fund multi-family rental housing projects through this NOFA, but single-family homebuyer/rental development projects may apply. The City of Detroit requires that all new production projects (new construction, adaptive reuse, vacant building rehabilitation) be located in the target areas identified in the **2016 Targeted Multifamily Housing Area** (Multifamily Target Areas). In contrast, preservation projects can be located throughout the city of Detroit. The HRDP supports construction and permanent financing only. Support for pre-development soft costs alone is not a part of this NOFA.

### Development Priorities

HOME funds are a limited resource and the City seeks to maximize the leveraging of non-HOME funds in each project to fund the maximum number of eligible projects within this NOFA round. Therefore, a strong preference will be given to projects that demonstrate appropriate total development costs with strong financial commitments from other sources and a minimal need for gap financing. As required by the HOME regulations governing this NOFA, HOME assisted

projects should not receive any more HOME funds than what is necessary to make the project feasible, taking into consideration long term viability.

As demonstrated through the NOFA's application scoring process, the City will prioritize the following types of projects to ensure the City reaches the goals outlined above:

- **Mixed Income Projects** that contain market rate housing units for households with incomes above 80% of AMI.
- **Mixed Use Projects** that include mixed uses such as office and retail below residential units.
- **Preservation Projects** that extend expiring affordability requirements for existing occupied affordable housing development projects.
- **Permanent Supportive Housing** for those that experience chronic homelessness. This type of housing should include well-managed wraparound services and reduce tenant screening criteria to the HUD minimum.
- **Projects of all types** that support neighborhood transformation through program, site, and design elements, and incorporate smart growth principals.

## APPLICATION INFORMATION

### Pre-2019 (Fast Track) Award Round

An early Fast Track round will be opened initially **only** for projects that have an active application open for Low Income Housing Tax Credits (LIHTC) from MSHDA. As outlined in the table below, the Fast Track Award Round will be conducted on an expedited basis. Submissions will be accepted between November 16, 2018 and December 3, 2018. Fast Track submissions will be reviewed on an ongoing basis and all conditional award letters will be issued by December 14, 2018. Projects that receive an award letter within the Fast Track Round are considered conditional upon the project receiving a 9% LIHTC allocation. If the City does not award funds to a project with an application that was submitted during the "Fast Track" review period, that project will be invited to reapply during the 2019 Regular Affordable Housing Leverage Fund (AHLF) Award Round.

Submission Dates:	Review:	Conditional Award Letters Issued by:
November 16, – December 3, 2018	Rolling, as received	December 14, 2018

### 2019 Regular Affordable Housing Leverage Fund (AHLF) Award Round

The Affordable Housing Leverage Fund (AHLF) combines the City's federal sources of funding for housing with private contributions, and tax-exempt bond financing provided by MSHDA. The



AHLF seeks to streamline the financing application process and allocate resources efficiently. To that end, the 2019 Regular AHLF Award Round will be held to solicit applications and identify the appropriate financing tools available for each individual application. Projects that are deemed to be appropriate for the City's Housing Rehabilitation and Development Program will be scored, ranked, and underwritten as described in this NOFA. The 2019 Regular AHLF Award Round is tentatively scheduled to open in **January 2019** with a final deadline to submit in late **February 2019**. Further details will be published when the dates have been finalized.

### **Application Submissions**

The City expects to receive more proposals than can be funded with its limited HOME allocation, and reserves the right to reject any and all submissions. The City also reserves the right to request additional information or documentation at any stage during the application review process, to request that changes be made to a proposal, to fund portions of any given proposal, and/or to choose not to fund any or all proposals. Additionally, the City reserves the right to change the funding amount of a given proposal prior to closing, at its sole discretion. Applicant Developers will be expected to respond and comply with any additional requests in a timely manner. Failure to provide requested information on a timely basis will result in a proposal being deemed non-responsive and ineligible for further consideration.

### **Community Housing Development Organization (CHDO) Application Submissions**

The City will set-aside at least fifteen (15%) percent of its HOME program allocation for projects sponsored by a Community Housing Development Organization (CHDO). An organization that has not been certified and seeks funding from this set-aside must submit an application for CHDO certification along with the response to this NOFA. Applicants may find the requirements for the CHDO certification [here](#). Additional information on the CHDO process can be found in **Appendix A**.

## **APPLICATION REVIEW AND AWARD PROCESS**

### **Application Review**

Submissions for all NOFA rounds will undergo two types of review:

- **Threshold phase** – A threshold review will be conducted on applications to ensure that every item requested within **Application Attachment C** is both included and of quality. Applications that do not pass threshold will not continue on to the scoring review phase.
- **Scoring review phase** – Applications that pass the threshold review will then be scored based on a series of measurements outlined on **Page 18**.



### **Conditional Award**

HRD will review the project scores and issue Conditional Award Letters to the highest ranking applications. Once an applicant receives a Conditional Award Letter, they have up to **(270)** days to obtain City Council approval and close on all financing. In the City's sole discretion, if a project changes substantially from its application package or is unresponsive to requests for additional information, the Conditional Award will be revoked. Substantial changes could include, but are not limited to, the following: changes to the site plan, number of units, and/or types of financing as well as changes to the request for assistance greater than 10% of the award amount. These changes do not reflect a complete list, and the City reserves the right to revoke a Conditional Award for any reason.

### **Commitment Phase**

Following issuance of a Conditional Award Letter, developers will be responsible for providing all required materials to underwrite the loan, and obtain final approval by HRD's Award Committee. Following final approval, an updated Award Letter will be issued, and the Closing Phase will begin.

### **Closing Phase**

Having received the final approval, the City's assigned attorney will begin drafting documents, and working through the closing checklist. The Awardee will have **(90)** days from the date of final approval to close on construction financing.

## **PROJECT COSTS AND FINANCING**

The majority of projects funded through this NOFA will receive HOME dollars. The general purposes of the Federal HOME program are: expanding the supply of decent and affordable housing, particularly rental housing, for low- and very low-income. All federal requirements for the HOME program are listed in [Title 42, Chapter 130 and CFR Title 24 Part 92](#) and the [Final Rule](#). All projects supported by HOME funds must comply with the associated statutory and regulatory requirements for the HOME program. Please note the sections below are not exhaustive and all requirements listed within the HOME regulations and subsequent award documents will need to be met.

Subject to all City approvals, the City of Detroit may utilize CDBG funds to reimburse applicants for reasonable and necessary soft costs incurred on the project. Although limited, these funds may be used as a supplement or substitute for HOME funds. Any project supported by CDBG must comply with the associated statutory and regulatory requirements outlined in [Title 24, Part 570](#), of the Code of Federal Regulations. The City may substitute any available funds including NSP1 and/or NSP3 for projects in the respective NSP target areas.

### **Eligible HOME Costs**

HOME funds are available for the Developer's project-related hard costs and soft costs. All costs must be related to the production of eligible housing units and may include the following:

- **Acquisition costs** – Acquisition of properties in need of rehabilitation and vacant land for new construction are eligible subject to the property meeting HOME requirements. Acquisition costs are subject to a [Uniform Relocation Act \(URA\)](#) compliant appraisal and related costs must be reasonable and necessary. If requesting funds for acquisition, the Developer must provide documentation evidencing through appraisals or other market studies that the acquisition price was reasonable.
- **Construction/Rehabilitation costs** – Reasonable and necessary new construction or rehabilitation costs are eligible under this NOFA.
- **Demolition** – Demolition of an existing structure may be funded through HOME only if construction will take place on the HOME project within (6) months. An extension may be granted at the sole discretion of the City.
- **Developer fees** – The City prefers not to fund Developer fees with HOME dollars, but will consider it on a case by case basis.
- **City legal fees** – The City requires Developers of HOME assisted projects to pay the City's legal fees, which are currently estimated at \$30,000- \$40,000 per project. More complex projects may incur additional fees. The legal fees are an eligible HOME cost that can be paid out of the HOME award.
- **Initial operating deficit reserves** – In order to facilitate project viability, HOME funds may be used to cover the cost of funding an initial operating deficit reserve, which is a reserve to meet any shortfall in project income during the period of project rent-up. This reserve is limited to the reasonably projected deficits for a period not to exceed the first 18 months of project operations after completion. The Developer is required to provide an estimate of initial operating deficits in the development income operating pro forma as part of the application submission for to this NOFA. City staff shall review and approve (and, if appropriate, reduce) the proposed reserve amount.
- **Additional soft costs** – Reasonable and necessary soft costs are eligible for reimbursement. Please note that funding for soft costs is only eligible in collaboration with an eligible hard cost, and must be approved by the City. Examples of eligible soft costs could include financing fees, title commitments and insurance, surety fees, title and recording fees, legal and accounting fees including cost certification, environmental reviews, appraisals and architectural and engineering fees.
- **Down payment and closing costs assistance** - For HOME homebuyer-assisted units.



### **Ineligible HOME Activities and Costs**

In accordance with [24 CFR Part 92.214](#) of the HOME regulations, applicable Office of Management and Budget (OMB) Circulars at [2 CFR Part 200](#), and the City's own local requirements, the following activities and costs are prohibited under this NOFA:

- General planning
- Relocation costs (unless specifically approved by the City)
- Refinancing of pre-existing debt on property
- The payment of delinquent property taxes or utilities
- Purchase of equipment, furniture and fixtures
- Entertainment costs
- Other ineligible costs per the OMB Cost Principles ([2 CFR Part 200](#)) are specified in the HOME Development and Loan Agreement
- HOME may not be used as a permanent mortgage on a property for homebuyer projects
- Lead-based paint inspection (Unless the City's award letter explicitly states that the City will reimburse Lead-based paint inspections, the Developer will be responsible for these costs and they will not be eligible for HOME funding)

### **Maximum HOME Funding Per Project**

The maximum amount of HOME subsidy per eligible **rental** unit cannot exceed the Section 234-Condominium Housing basic mortgage limits as determined by the local HUD Field office. The HOME award will be based on the project's documented need for HOME financing.

Section 215(b) of the National Affordable Housing Act (NAHA) requires that the initial purchase price or after-rehabilitation value of **homeownership units** assisted with HOME funds not exceed 95 percent of the area median purchase price for single family housing, as determined by HUD. Total HOME funding in any one project shall not exceed per unit maximums, and will be limited by the total amount of funding available. The City encourages applicant Developers to seek additional funds from other State, Federal, and private sources. Whichever funding source—HOME or an alternate funding source—has the more stringent requirements, those must be met.

### **HOME Financing Terms**

HOME funding may be offered in the form of project financing loans to successful applicants of this NOFA. A mortgage agreement shall be signed at closing and a lien shall remain on the property for the full term of the HUD Affordability Period (Affordability Period). As detailed in the development and loan agreement, the HOME Affordability Period will not terminate upon the repayment of the HOME funds or transfer of the property during the Affordability Period. Prior to execution of the Development and Loan agreements the City of Detroit shall conduct a subsidy layering analysis in accordance with the HOME regulations to ensure that it will not invest any more HOME funds, alone or in combination with other governmental assistance, than is necessary to provide affordable housing.

**Rental Project Loans** may have a fixed interest rate ranging from one to three percent, or higher if required by first position lender. Based on a review of the rental pro forma and the needs of the project, HOME financing terms will be determined on a project-by-project basis, but will generally adhere to the following structures for different deal types:

Categories	Priority	Rate	Repayment	Term
<b>9% LIHTC</b>	Allocation	3%	25% of cash flow	30-50 years
<b>Perm. Supportive Housing and CHDO</b>	15% set aside	1%	Nominal	30-50 years
<b>Preservation</b>	Award/Affordable Housing unit	1-3%	25% of cash flow	30-50 years
<b>Preservation for Naturally Occurring Affordable Housing (NOAH)</b>	Neighborhood	3%	25% of cash flow	30-50 years
<b>Mixed Income</b>	Award/Affordable Housing unit	3%	25% of cash flow	30-50 years

Loans that mature at the end of the Affordability Period, or a longer period specified by other project lenders, may be required to pay a balloon payment. Both the term and type of loan must also be in compliance with the HOME affordability requirements at Section 92.252 (Rental Housing) of the HOME regulations. The HOME Affordability Restriction Agreement (Restriction Agreement) shall be a restrictive covenant against the property and the affordability obligations shall pass to subsequent owners during the affordability period (running with the land). The affordability period in the Restriction Agreement shall survive foreclosure and the HOME compliance obligation will be binding on the foreclosing lender.

**Homebuyer Project Loans** may not be used as a permanent mortgage for the property, or to refinance existing debt. When total cost of development (acquisition, construction, soft costs) exceeds the after-construction appraised value of the property, the difference between the development cost and the after-construction appraised value shall be considered a grant and not be repaid to the City of Detroit's HOME Program, and is considered "development subsidy". The appraised value of the property after construction cannot exceed most current FHA Maximum Mortgage Limits for Wayne County. As with a Rental Project Loan, the Restriction Agreement shall be a restrictive covenant against the property and the affordability obligations shall pass to subsequent owners during the affordability period (running with the land). As with a Rental Project Loan, the affordability period in the Restriction Agreement shall survive foreclosure and the HOME compliance obligation will be binding on the foreclosing lender.

## FUNDING RESTRICTIONS AND REQUIREMENTS

### Income Restrictions & Inclusionary Housing Ordinance

The acquisition and improvement of property for **affordable rental units** assisted with HOME funds must be rented to households who are at or below sixty percent (60%) of the Area Median Income (AMI). At least 20% of those HOME-assisted units must be rented to households at or below fifty percent (50%) of the AMI. The acquisition and improvement of property for **affordable for-sale** housing units assisted with HOME funds must be sold to households at or below eighty percent (80%) of the AMI. Please see **Appendix B** for more information on both rental and for-sale income, rental and utility restrictions.

The City of Detroit also recently enacted the [Inclusionary Housing Ordinance](#) (Section 1. Chapter 14 of the 1984 Detroit City Code, 14-12-1 through 14-12-16). Applicants requesting over \$500,000 of NOFA Funds for rental projects only, where the project includes 20 or more units, must comply with the City of Detroit's new Inclusionary Housing Ordinance. Specifically related to this NOFA, the Inclusionary Housing Ordinance requires the following:

- HOME or CDBG funds over \$500,000 and 20 units or more:
  - Provide at least 15% of its total dwelling units for lease to households earning up to 60% AMI. Additionally, at least 5% of the total dwelling units are required to be leased to households earning up to 50% AMI.
  - For an affordability period of at least 30 years.

\*Please note, the Developer will be required to follow whichever regulation is more restrictive between HUD regulations and the Inclusionary Housing Ordinance.

### Relocation Requirements

All City-assisted homes and properties acquired or rehabilitated through this NOFA are subject to the [Uniform Relocation Act \(URA\)](#). Tenants of occupied properties receiving City funds cannot be permanently relocated. Occupied properties require written approval of a relocation plan concurrent with the submission of an application for City HOME funds for acquisition to ensure that relocation rules are followed. If a Relocation Plan is required for the project, the City must approve it prior to award and commitment of funding for the project. For units where HOME funds are not used for the acquisition of the property, the Developer still must provide proof that relocation requirements were met and must submit a relocation plan to the City regardless of the source of acquisition funding. Projects seeking HOME funds under this NOFA should not result in the permanent involuntary displacement of tenants.

### Environmental Review Requirements

All projects which receive funding through this NOFA are subject to the HUD environmental review requirements and all properties acquired with HOME funds must be environmentally cleared by the City prior to acquisition. The HUD environmental review requirements are found

in [24 CFR 58](#). The project must satisfy the HUD environmental review requirements before the City may commit funds to the project. The City shall interpret “commit” as execution of the development and the loan agreements for the project. Upon application for assistance through this NOFA, the Developer and all project participants (i.e. public or private non-profit or for-profit entities, or any of their contractors) agree to the following stipulations: (1) that the provision of any funds to a project is subject to the findings of the environmental review, and (2) that neither the Developer nor any project participant shall undertake any "choice limiting actions" until the environmental review process is complete, all parties have executed the development and loan agreements for the project, and the City has issued a notice to proceed. **Neither the Developer nor any project participant may undertake any "choice limiting action" between the date of application and the date of the notice to proceed from the City.** Please see **Appendix C: Environmental Review** for a full description and additional HOME requirements.

If a rehabilitated unit in this program was originally placed into service prior to January 1, 1978, rehabilitation must also comply with HUD lead-based paint rules ([24 CFR Part 35 and 24 CFR Section 570.608](#)). A lead-based paint inspection and lead-based paint risk assessment for lead-based paint hazards shall be conducted, and rehabilitation work must be done by contractors meeting the requirements of the HUD lead-based paint rule and the EPA Renovation, Repair, and Painting rule.

### **Construction and Rehabilitation Requirements**

In all work under this NOFA, Developers must adhere to all applicable state and local laws, building codes, zoning, and other requirements relating to construction, rehabilitation, and housing safety, quality, and habitability. Developers must meet the Housing & Revitalization Department’s Contractor’s Performance Standards November 2017 (“HRD Performance Standards”). Rehabilitation and new construction supported with HOME funds are required to conform to [24 CFR 92.251](#) of the HOME regulations, as applicable. Projects will also be subject to accessibility requirements under [Section 504 of the Rehabilitation Act of 1973](#).

### **Acquisition and Construction Schedule:**

Developers that receive HOME funds for acquisition must take title of 100% of the properties at the closing of the HOME funds if HOME is used to fund acquisition. If other financing sources are used for acquisition, the HOME assisted project may be closed “in escrow”. Construction is expected to begin within (6) months after the City’s issuance of a commitment letter. The City must approve a project completion schedule that includes all milestones associated with the acquisition, major elements of the development implementation process, schedule of project construction completion by trades, and sale or lease-up of the units prior to loan closing. Due to strict Federal deadlines, projects that do not reach milestones in a timely manner may be subject to rescission of HOME funding. Construction **must not have started** prior to the approval of HOME funding and the receipt of environmental review and clearance from HUD.

### **Energy Standard Requirements:**

HUD's energy codes can be found [here](#). All new or substantial rehabilitation in buildings above 3 stories receiving HOME funding must be designed to meet American Society of Heating, Refrigeration, and Air-Conditioning Engineers ([ASHRAE Standard 90.1-2004](#)), plus 20 percent. As developers are also encouraged to use HOME funds to incorporate modern, green building, and energy-efficiency elements, points will be awarded for projects that meet the standards outlined in the [ENERGY STAR Version 3](#) for new construction.

### **Contractor Requirements:**

The contractor's fee will be governed by the following maximum ratios: Contractor profit-6%, Overhead -2%, and General Conditions -6%. The City of Detroit may consider higher percentages for these fees if MSHDA or other funder approves higher percentages. The contractor completing the rehabilitation/new construction work will also be required to secure a 100% Payment and Performance Bond on a rehabilitation/new construction project with an estimated rehabilitation/new construction cost of \$100,000 or more in the aggregate. The surety (the provider of the bond) must be authorized to do business in the State of Michigan.

As a condition of closing, the Developer must also attest and certify that no member or contracting entity or affiliate of the development team is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from any entity from a federally funded transaction. Any contractor that remains on a debarred or suspended condition shall be prohibited from participation in the City's HOME program as long as the contractor is classified in this manner. The Developer must register on the HUD SAMs website to allow for confirmation that neither the developer, selected contractor nor any subcontractors are on the Federal or other debarred lists.

### **Davis Bacon and Related Acts (DBRA):**

All properties will be subject to Federal Labor Standards. For properties with 12 or more HOME-assisted units, construction will be subject to Davis-Bacon wage and record-keeping requirements. The Davis-Bacon "Commercial" wage scale will be applicable to buildings with more than three stories.

### **Section 3 Requirements:**

In order to meet HUD Section 3 regulations (Title 24 CFR Part 135), the applicant must describe their strategy for hiring and training low- and very low-income residents and contracting with local Section 3 businesses. Applicants are required to: (1) outline their plan to notify residents and contractors about jobs and contract opportunities; (2) notify potential contractors about the requirements of Section 3; (3) hire local Section 3 residents and award contracts to local Section 3 businesses; and (4) assist in obtaining required Section 3 compliance information from contractors and subcontractors. Please see **Appendix D: Section 3** for more information.

### Cost Certification Requirements:

A Certification Report must be prepared by the Developer at the time of completion and must list and certify all actual sources of funds that were used for the project. Additionally, the City reserves the right to require a Cost Certification report prepared by an independent public accountant, or to request a copy of reports required by other project funders.

### Affordability Period

HOME assisted units must meet the Federal affordability requirements, including a minimum affordability period as described below and affordable rents and occupancy by income eligible tenants. Income limits and maximum HOME rents are further charted in **Appendix B**. These restrictions will be imposed for the period of time as outlined in the table below, following the project construction completion. The City may impose stricter standards, at its discretion. Affordability requirements apply regardless of the term of any loan or mortgage or the transfer of ownership. They will be imposed by the Restriction Agreement that runs with the land.

Federal Limits on HOME funds	Minimum Affordability Period
Under \$15,000 per assisted unit for rehabilitation or acquisition of existing housing	5 years
\$15,000 - \$40,000 per assisted unit	10 years
Over \$40,000 per assisted unit or rehabilitation involving refinancing (any amount)	15 years
New construction or acquisition of newly constructed rental housing	20 years*
Inclusionary Housing Ordinance	Minimum Affordability Period
<u>Any</u> project that triggers the Inclusionary Housing Ordinance	30 years

\*In the case of homebuyer projects that are funded for new construction, the minimum affordability period for assistance over \$40,000.00 per unit is (15) years.

# **City of Detroit**

## **Housing and Revitalization Department**



### **Housing Rehabilitation and Development Program**

### **Notice of Funding Availability (“NOFA”) Application Instructions and Required Forms**

## APPLICATION MATERIAL INSTRUCTIONS

The City will accept complete applications during regular business days and office hours. Applicants must submit two **(2) paper copies** and **one electronic USB flash drive copy** to the Housing and Revitalization Department, located at 2 Woodward Ave., Suite 908 at the Coleman A. Young Municipal Center. Paper copies should be submitted in a three-ring binder with a clearly labeled cover sheet on the outside of the binder. The cover sheet must identify the name of the project and the name and address of the developer/applicant.

### Executive Summary

Attach to the front of your submission a one-page executive summary stating the reasons for pursuing this NOFA, a concise summary of the development cost and program, and the reasons that the City should seriously consider this project/organization for funding.

### Housing and Rehabilitation Program Application (Attachment A)

#### Project Narratives (Attachment B)

Please label each narrative using the headers and sub-headers provided within the narrative instructions.

#### Developer Attachment Checklist (Attachment C)

Please review and include each and every applicable material. If at all possible, please provide the requested attachments in the sequential order they are listed within the checklist. Please note that each item requested within this checklist is required to pass the threshold process. Please also note that a substantial portion of these requested materials will also be strongly considered during the feasibility and scoring phase of the application review process.

#### Development Pro Forma and Budget (Attachment D)

Complete the Rental Development Pro Forma using the instructions provided. If a pro forma is required by another funding source, such as Low Income Housing Tax Credits, then you may use the pro forma required by that funding source. Otherwise, you must use the pro forma template provided. Homebuyer projects must provide a discussion of how HOME funds will be used to structure sales for income eligible household.





**Please also review and sign the following forms:**

- HRD Program Mandatory Acknowledgement - Lobbying Certification (**Attachment E**)
- HRD Mandatory Acknowledgement - Conflict of Interest (**Attachment F**)

## APPLICATION SCORING CRITERIA

### Developer Capacity – 20 Points

- **(6 Points) Successful Completion of Projects:** The developer has a recent history of development and/or redevelopment that includes high quality affordable residential products delivered on-schedule and on budget. The developer must also demonstrate that previous experience is similar in type, scale, and complexity to proposed project. The Developer should also have a reasonable amount of current development projects to ensure that the organization is not overextended in either staffing or financial capacity.
- **(5 Points) General Contractor:** The general contractor has demonstrated previous experience in projects that are similar in type, scale, and complexity to proposed project.
- **(2 Points) Owns/Operates Affordable Units:** The Developer must have substantial experience and capacity in the successful lease-up and management of affordable rental property, as well as experience in asset management, rental development activity, and ownership of projects of a similar type and size.
- **(3 Points) Experienced Management Agent:** The Developer has identified and secured an experienced management agent for the project.
- **(4 Points) Financial Review:** The development team is fiscally sound and has the systems and financial resources to develop the proposed projects. Sponsor, guarantor and builder must provide evidence of organizational financial strength through respective financial statements.
- **(-5 Points) Development Workouts:** Developer has been involved in a workout in the last year.
- **(-5 Points) Outstanding NOFA Projects:** Developer has more than one outstanding NOFA Award that hasn't begun their compliance period.

### Project Financing - 30 Points

- **(10 Points) Financial Commitments:** All additional necessary project financing/leveraged funds are identified and secured to complete project(s) with letters of commitment from recognized community development lenders and funders, or reasonable dates are provided by the Developer.
- **(10 Points) Financial Leverage:** The project is efficient in its use of HOME funds and in its leveraging of other funds, as applicable. All funding and associated requirements are clear and adequately reflected in the budget and pro forma.
- **(5 Points) Cost Containment Process:** The developer uses a creative approach to financing or cost containment to meet affordable housing needs.

- **(5 Points) Cost Containment Results:** The developer requires fewer dollars per affordable unit than the maximum HUD dollar amount allowed.

### **Readiness to Proceed – 20 Points**

- **(5 Points) City Requirements and Permits:** Scope of work and/or plans are detailed enough to confirm compliance with HRD's building codes, construction performance standards, environmental remediation requirements. A lead risk assessment and inspection report is complete, if required.
- **(12 Points) Construction Plans / Trade Payment Breakdown:** Estimated development and construction costs are well researched and detailed. The developer provided plans and specifications and a third party cost estimator report delineating construction costs by trade breakdown. Scope of work [for rehab] or plans and specifications [for new construction] are comprehensive, includes trade payment breakdown, and substantially complies with the requirements outlined in the HRD's technical review. Additional points awarded for projects that meet Energy Star Version 3 Standards.
- **(3 Points) Marketing & Lease-up Strategies:** There are effective marketing and lease-up strategies in place.

### **Location/Market - 22 Points**

- **(8 Points) Location:** The project is preserving affordable units in any area of the city OR the project is located in either of the following areas (i) a designated [Historic District](#) or (ii) a [Multi-family target area](#) other than Greater Downtown (Target Area 5). Additional points awarded if the preservation project maintains project-based rental assistance contracts.
- **(4 Points) Market Study:** The Developer must provide evidence of market demand for the units in the project as demonstrated by a third party market study. The market study should include a justification of market demand and projected rents based on analysis of both market trends (demographics; city and neighborhood data) and specific comparable properties. The study should define the Primary Market Area (PMA), and include a table describing the multifamily rental projects in the PMA, showing total number of units, unit type, year built, and occupancy rate. The study should identify the three most comparable properties and describe rents, utilities, unit size and characteristics, on-site amenities, neighborhood amenities, and other project information, and explain why the comparable properties have been selected.
- **(4 Points) Permanent Supportive Housing:** The project provides permanent supportive housing and assisted living services to the homeless population.
- **(2 Points) Neighborhood Development:** The project supports neighborhood transformation through program, site, and design elements, and incorporate smart growth principals. Thought is also given to the proximity of the project to other community development efforts and other amenities that may add value to the project and stabilize the community.

- **(3 Points) Mixed Income:** Plan includes a range of income targeting/ market rate units.
- **(1 Points) Proximity to Market Rate Rents:** Project is located within ¼ mile of market rate development where rents are greater than 40% more than the proposed restricted rents within the project.

#### **Program Employment Goals - 8 Points**

- **(4 Points) Section 3 Experience:** The Developer has experience in complying with Section 3 requirements. The Developer must include a clear plan as to how they will satisfy Section 3 requirements. The Developer must also demonstrate the ability and willingness to employ low-and very low-income persons within the targeted area and community in which the project resides.
- **(4 Points) MBE/WBE:** Evidence that the Developer is a Minority/Women-Owned Business or Minority/Women's Business Enterprise, as applicable.

**ATTACHMENT A:**  
**CITY OF DETROIT HOUSING AND REHABILITATION PROGRAM APPLICATION**

Application Date:		Resubmittal? <input type="checkbox"/> Original Application Date(s):	
Name of Project:			
Enter the full legal name of your organization:			
Federal Tax Identification Number:		Organization's DUNS number (if applicable):	
Name of Organization Lead Contact:			
Phone number and email address:			
Mailing address of the organization:			
City		State	Zip:
Street address of the organization, if different from above:			
If the project does not qualify as a preservation project, please identify the <a href="#">2016 Targeted Multifamily Housing Area</a> in which project will be located:		Census Tract Number:	
Is the project located within a <a href="#">Historic District</a> ?  If so, please identify the Historic District name.		Yes <input type="checkbox"/> No <input type="checkbox"/>	
Project boundary streets/Physical address of the project:			
What is the legal structure of the Applicant?		Is the Applicant any of the following?	
<input type="checkbox"/>	Individual (not a partnership or corporation)	<input type="checkbox"/>	51% minority ownership
<input type="checkbox"/>	Partnership	<input type="checkbox"/>	51% female ownership
<input type="checkbox"/>	For-profit corporation	<input type="checkbox"/>	51% minority business enterprise
<input type="checkbox"/>	Non-profit corporation	<input type="checkbox"/>	% veteran owned
Is the borrower a designated Community Housing Development Org. (CHDO) per HOME regulations?		<input type="checkbox"/>	Yes <input type="checkbox"/> No
If yes, what is the date of your most recent City of Detroit CHDO certification? Please provide a copy of the most recent certification. Otherwise please submit an application for CHDO certification or recertification.		Date: _____	

Site control as evidenced by purchase contract, deed, etc. Yes <input type="checkbox"/> No <input type="checkbox"/>		Document provided:				
What type of development is being proposed by your organization with proposed program funding? <i>(Check all applicable boxes)</i>		<input type="checkbox"/>	New construction of multi-family units (4+)			
		<input type="checkbox"/>	Purchase/rehabilitation of occupied multi-family units (4+)			
		<input type="checkbox"/>	Mixed use project that includes office and/or retail space			
		<input type="checkbox"/>	Preservation project that extends affordability requirements for existing occupied affordable housing			
		<input type="checkbox"/>	Permanent Supportive Housing for those that are experiencing chronic homelessness			
		<input type="checkbox"/>	Adaptive Reuse/ Historic Preservation			
		<input type="checkbox"/>	Scattered Site			
TOTAL number of units you propose to develop:			No. of proposed City assisted units:		No. of Market rate units if applicable:	
TOTAL proposed development budget for project:		\$				
AMOUNT of funding requested :		\$	Low Income Housing Tax Credits (LIHTC) project: Yes <input type="checkbox"/> No <input type="checkbox"/> If a LIHTC project, Qualified Census Tract? Yes <input type="checkbox"/> No <input type="checkbox"/>			
Will the project seek Rental Assistance: <input type="checkbox"/>		If Preservation Project, current sources:				
Type of Units to be developed <i>(Check all boxes that are applicable)</i>						
<input type="checkbox"/>	Apartment	<input type="checkbox"/>	Duplex			
<input type="checkbox"/>	Townhome	<input type="checkbox"/>	Detached Single Family			
Does the present zoning allow the proposed development? Yes <input type="checkbox"/> No <input type="checkbox"/>						
Is the proposed use considered a conditional use, a regulated use or a controlled use? Yes <input type="checkbox"/> No <input type="checkbox"/>						
Are all necessary utilities available on the site? Yes <input type="checkbox"/> No <input type="checkbox"/>						

<p>Will project require relocation of existing residents? Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Is a relocation plan included in your full application? Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/></p>
<p>What is the present use of the property?</p>
<p>Are any persons employed or contracting with your organization debarred by HUD or the State of Michigan? Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>Are there any other contracting restrictions on the Applicant or Contractor for your development team with any federal or state agency or with the City of Detroit? Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>Has your organization or one of its principals filed for bankruptcy within the past 10 years? Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>To the best of my (our) knowledge and belief, all information in this Application is true and correct. The governing body of the Applicant has duly authorized this document and the Applicant will comply with all applicable HOME, and/or CDBG Program requirements, if funding is awarded according to funding source. Applicant agrees to adhere to all contracting and hiring requirements of the Federal, State, and City government. Applicant understands and agrees that all units redeveloped with funding under this program must be sold or rented to income eligible households.</p>
<p>The undersigned authorizes Housing and Revitalization Department's staff to conduct investigations necessary to establish project feasibility including but not limited to such verifications as employment, credit, construction experience, property ownership and financial condition. It is further authorized that the Department may send requests to receive such information from a lender or lenders so designated by the Developer Applicant for the purpose of securing financial information.</p>
<p>Any person, who knowingly makes a false statement or misrepresentation in this Application or causes such a false statement or misrepresentation to be made, shall be subject to a fine of not more than \$5,000 and/or imprisonment for not more than two years, under provisions of the United States Criminal Code.</p>

Authorized Representative:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Please Print Name and Title)

\_\_\_\_\_  
(Date)



## ATTACHMENT B: PROJECT NARRATIVE INSTRUCTIONS

### **Developer Experience Narrative:**

- **Developer organizational overview:**
  - A brief overview of the Developer's organization and if the organization has any presence within Detroit. *(1 paragraph max.)*
  - If the Developer has a presence in Detroit, please provide brief details on the nature of the work. *(1 paragraph max.)*
- **Developer project staff:**
  - A brief list of internal staff who will be directly involved in the project and their title in relationship to proposed project.
  - For each internal staff member listed, please describe their role within the proposed project, their relevant experience, and capacity to take on such a role. *(1 paragraph max per internal staff member)*
- **Current scope of work:**
  - A list of all of the Developer's current development projects including each project's name, location, number of units, projected completion dates, sources of financing and total development budgets.
  - If the Developer is currently managing development projects, please describe how the Developer will manage the proposed project in addition to its current obligations *(1 paragraph max.)*
- **Project experience:**
  - A list of all of the comparable rental housing projects the Developer has completed in the last 5 years including the projects' name, location, completion date, number of units, sources of financing, high-level timelines, and total development budget. Please highlight any development projects that were financed by Neighborhood Stabilization Program 1 or 3, CDBG or HOME funds.
  - If the Developer has not completed a rental housing development in the last 5 years, please describe the most relevant activities the organization has completed and how exactly these activities have prepared the Developer for the proposed project. *(1 paragraph max.)*
- **Marketing and leasing experience:**
  - Among the projects listed above, please highlight those that required extensive efforts in leasing and marketing affordable units.
  - For each project highlighted, please describe the successes and challenges of such efforts *(2-3 sentences per project)*.



- **Owning and operating experience:**

- Please indicate whether or not a management agent has been secured for the proposed project. If a management agent has been secured, please provide a brief description on the agent's experience in managing restricted units and maintaining ongoing compliance (*1 paragraph max*).
- If a management agent has not been secured at this time, please describe the systems the Developer has in place for managing the property and its assets (*1 paragraph max*).

**Development Team Experience Narrative:** General Contractor, Architect and Developer Consultant. For each entity secured, please provide the following:

- **Developer organizational overview:**

- A brief overview of the entity and if it has any presence within Detroit. (*1 paragraph max.*)
- If the entity has a presence in Detroit, please provide brief details on the nature of the work. (*1 paragraph max.*)

- **Project experience:**

- A list of all of the comparable rental housing projects the entity has completed in the last 3 years including the projects' name, location, completion date, and number of units. Please highlight any development projects that were financed by Neighborhood Stabilization Program 1 or 3, CDBG or HOME funds.

**Project Financing and Feasibility Narrative**

- **Financing sources and compliance**

- A list of all other sources of financing. For each additional source of financing, please include funding amounts, key business terms, and conditions that must be satisfied before each funder is willing to close.

- **Eligible activities**

- A list of the eligible activities for which the potential funding would support that the financing sources listed above are unable to cover.

- **Project Timeline**

- The projected dates of acquisition, construction start, certificate of occupancy, 100% occupancy of City assisted units, stabilized occupancy.

- **Methods to ensure cost effectiveness**
  - A brief overview as to how the developer uses a creative approach to financing or cost containment to meet affordable housing needs. *(1 paragraph max)*
- **Explanation of projected rents**
  - A brief synopsis of the market study and how it relates to the projected rents within the proposal. *(1 paragraph max)*

### **Project Location and Marketing**

- **Income mix**
  - Describe the income ranges and use mix of the project and how it will fit in with the fabric of the existing community. *(2-3 sentences)*
  - State if and how many market rate units will be available within the proposed project. If there are market rate units, please describe how these units compare and contrast with the rent restricted units. *(2-3 sentences)*
  - Describe any commercial or other non-housing portions of the project and how they will fit with the residential use. *(2-3 sentences)*
  - Please list any project-based rental assistance that may be made available to tenants including any application dates and pending approvals.
- **Special Populations (for Permanent Supportive Housing projects only)**
  - Describe any targeting for special populations, including if and how this project is to be completed in coordination with the continuum of care, the accommodations and services to be provided in order to meet the needs of the special population, and any Federal or other subsidy being brought to the project based upon this targeting. *(1 paragraph max)*
- **Surrounding amenities**
  - A map, and an accompanying list, of other community development efforts, significant investment, neighborhood anchors, educational facilities, retail, open space and amenities within ¼ mile of the project.
- **Proximity to market rate units**
  - If applicable, a map highlighting any market rate housing buildings where rents are greater than 40% than the proposed restricted rents within ¼ mile of the project.
- **Marketing and outreach strategy**
  - Explain how homes are selected to meet the needs and tastes of the targeted market population, including house layout, size, number of bedrooms/bathrooms, architectural and aesthetic value, etc.

- Describe how the project manager will screen tenants, and comply with all fair housing and non-discrimination requirements.
- **Neighborhood impact**
  - A brief description as to how the proposed project will have a positive impact on the surrounding neighborhood located within ¼ mile of the project. *(1 paragraph max)*

### **Project Employment**

- **Section 3 experience**
  - If the developer has had experience in complying with Section 3 requirements, please provide a list of each project and their respective address, number of units, total development costs, and the overall ways in which they complied.
- **Section 3 plan**
  - If available, a detailed description as to how the proposed project will comply with Section 3 requirements. *(1 paragraph max)*

## **ATTACHMENT C:**

### **NOFA Application Attachments Checklist**

\*\*All materials requested below are required to pass threshold review\*\*

#### **Organizational Information and Developer Capacity**

- \_\_\_\_\_ Developer's copies of current financial statements and/or recent audits
- \_\_\_\_\_ Developer organizational chart showing all affiliates
- \_\_\_\_\_ Developer staff and partners' resumes
- \_\_\_\_\_ Contractor's qualification statement
- \_\_\_\_\_ Contractor, architect, consultant principal resumes
- \_\_\_\_\_ Proof of certificate as a Minority/Women Owned Business Enterprise (*if applicable*)

#### **Project Financing**

- \_\_\_\_\_ Evidence of Application for all Sources of Financing (or Letters of Intent)
- \_\_\_\_\_ Project Based Vouchers (PBVs) Application Letter (*if applicable*)
- \_\_\_\_\_ Tax Abatement Application Documents (*if applicable*)

#### **Property Information and Feasibility**

- \_\_\_\_\_ Detailed scope of work (*rehab.*) or plans & specs. (*new construction*)
- \_\_\_\_\_ Trade payment breakdown (*\*\*if ready, not required*)
- \_\_\_\_\_ Capital Needs Assessment (*preservation/rehab only*)
- \_\_\_\_\_ Tentative Construction Schedule
- \_\_\_\_\_ Evidence of Site Control
- \_\_\_\_\_ Appraisal
- \_\_\_\_\_ Survey
- \_\_\_\_\_ Evidence of Proper Zoning or Application for Rezoning
- \_\_\_\_\_ Status of Site Plan Approval (*if applicable*)
- \_\_\_\_\_ ASTM Phase 1 Environmental Site Assessment (*MSHDA Phase 1 preferred, if available*)
- \_\_\_\_\_ Current Tenant Information (*occupied only*) - # of total units, # of occupied units, current financing sources, current affordability restrictions
- \_\_\_\_\_ Relocation Plan (*if applicable*)

#### **Location and Market Information**

- \_\_\_\_\_ Market Study

#### **Project Employment Goals Information**

- \_\_\_\_\_ Section 3 Intent to Comply
- \_\_\_\_\_ Section 3 Plan Application

## **ATTACHMENT D: DEVELOPMENT PROFORMA INSTRUCTIONS**

If a development pro forma is required by MSHDA for Low Income Housing Tax Credits then the Developer may submit that pro forma. Otherwise, the Developer must include all of the following elements in the pro forma submission:

### **For Rental Projects:**

- ☐ Sources and Uses
- ☐ Sources and Uses by Use (if applicable, for mixed-income projects only)
- ☐ Stabilized Operating
- ☐ Rent Roll
- ☐ 30-year Operating Projection
- ☐ Construction and Lease-Up Period Cash Flow

### **For Homeownership Projects:**

- ☐ Sources and Uses

There is no additional required pro forma submission for homebuyer projects. In lieu of a pro forma, homebuyer applicants must provide a discussion of how HOME funds will be used in conjunction with other funding to make units more affordable to income eligible households.

Please follow the templates as closely as possible, as applicable to the project, and attach supplementary materials as needed.

### **Sources and Uses**

- The Developer is responsible to ensure that all project development costs are accounted for in the submitted development budget, and that proposed sources of funding are adequate. Failure to provide adequate development costs and sources may result in the proposed project not receiving funding upon review.
- *Construction Costs:* At the time of application, the Developer must submit itemized cost estimates from the project architect or other qualified cost estimator to substantiate the construction costs in the development budget. The application must also state whether the Developer has solicited or received any proposals (bids) from general contractors.
- *Builder Overhead and Profit and General Requirements:* The contractor will be governed by the following maximum ratios: Contractor Fee/ Profit-6%, Overhead -2%, and General Conditions -6%. The City of Detroit may consider higher percentages for these fees if MSHDA or other funder approves higher percentages. The application narrative must state how the estimated amounts for builder fee / profit, general requirements, and general overhead in the construction budget were determined.

- *Owner's Hard Cost Construction Contingency Requirements:* The Developer must use the following contingency standards in preparing the development budget:
  - Use a ten percent (10%) contingency for HOME/CDBG Rehabilitation projects
  - Use a five percent (5%) contingency for HOME/CDBG New Construction projects
- *City legal fees:* The City requires Developers of HOME assisted projects to pay the City's legal fees, which are currently estimated at \$30,000- \$40,000 per project. Fees may be higher for projects with additional complexity. The legal fees are an eligible HOME cost that can be paid out of the HOME award.
- *Lease-up Costs:* The development budget must include lease-up costs and adequate reserves.
- *Sources of Funds:* If a HOME assisted project contains market rate units, the number of HOME assisted units must be in a proportion no less than the amount of HOME funds to total funds in the project. The market rate units must be comparable to the HOME assisted units in size, location within the project, amenities, views, and finishes. If a HOME assisted project contains commercial uses, the number of HOME assisted units in the residential portion of the project must be in a proportion no less than the amount of HOME funds to total funds in the residential portion.

### **Operating Cash Flow**

The Developer must demonstrate through the operating cash flow that the project will be maintained successfully over the length of the affordability period. The developer must provide support to the project over time, including adequate operating and replacement reserves.

Other items to consider in completing the operating projections include:

- The pro forma must be based on sound, appropriate information, convincing data, and realistic inflators as well as operating cash flows that are realistic and adequate.
- Leveraging of private or HOME funded long term debt as a source of funds will be subject to the project's ability to support such financing as demonstrated by the project's operating pro forma. Using standard underwriting criteria and cost reasonableness, the Developer must clearly demonstrate through the project's operating pro forma that the repayment of this debt will not be a burden on the long term viability and affordability of the project. The combined debt service coverage ratio taking into account all must-pay debt on viable projects should target a minimum of 1.10 and a maximum of 1.25.
- **Affordable Rent Restrictions** – Developers must propose rents for the HOME assisted units that may not exceed the lesser of comparable market rents or the HOME rents minus utility allowances. See attached maximum rent standards for the City of Detroit provided in **Appendix B**. Although a project's rents may be lower than the rents listed, they cannot be more than the amounts listed. All rents listed must be adjusted for any utilities paid by the tenant (use the attached utility- **Appendix B**).
- If a project receives Federal or State project-based subsidies and the tenant pays no more than 30% of his or her income, the maximum rent may be the rent allowable under the project-based subsidy program.

- Rents must be supported by the submitted market study. The rent must be reduced if the tenant pays for utilities because the calculation of these rent standards includes all utilities excluding telephone. Utility allowances provide a mechanism for adjusting the maximum allowable HOME rents when the tenant pays some or all utilities. See attached utility charts **(Appendix B)** by housing type.
- **Replacement Reserves** – Developers will be expected to execute a Replacement Reserve Agreement, and to establish and maintain a Replacement Reserve Fund. The Developer will be responsible for depositing a per unit amount per annum (PUPA) into the fund for capital improvements to the property, as outlined in the Replacement Reserve Agreement. In the event that there is a conflict between this provision and the requirements of other funders, the need for reserves will be analyzed and negotiated between the various parties. The City may waive this requirement at its discretion. The amount of the Replacement Reserve shall be determined as follows:
  - **For acquisition-rehabilitation projects**, the Developer must conduct a capital needs assessment (CNA) for all rehabilitation projects, and set the annual reserve, at a minimum, at the level needed to cover 100% of capital needs identified in the CNA over the HOME affordability period.
  - **For new construction projects**, the Developer must deposit at least \$600 PUPA annually into a Replacement Reserve. The City may consider a lower amount only if the Developer submits evidence acceptable to the City establishing that a lower deposit amount will cover 100% of likely long term capital needs over the HOME affordability period.

## ATTACHMENT E: HOME PROGRAM MANDATORY ACKNOWLEDGEMENT

### "LOBBYING CERTIFICATION"

#### *Certification for Contracts, Grants, Loans, and Cooperative Agreements*

The undersigned certifies that to the best of his or her knowledge and belief.

- (1) No Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all sub awards at all tiers (including subcontracts, sub grants, and contracts under grants, loans, and cooperative agreements) and that all sub recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Division 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$1,000,000 for each such failure.

**Witnesses:**

1. \_\_\_\_\_

2. \_\_\_\_\_

**Developer/Owner:**

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

DATE: \_\_\_\_\_





## ATTACHMENT F: HOME PROGRAM MANDATORY ACKNOWLEDGEMENT

### "CONFLICT OF INTEREST"

The City of Detroit, Housing & Revitalization Department is now required by HUD to include a new Conflict of Interest clause to all contracts. Please be aware that these requirements will apply if you are awarded a contract with the City of Detroit.

The Contractor warrants that its participation in this contract will conform to the requirements of the all applicable HOME regulations including Sections 84.42, 85.36 and 570.611 of Title 24 of the Code of Federal Regulations, and further warrants that such participation will not result in any organizational conflict of interest. Organizational Conflict of Interest is defined as a situation in which the nature of work under this contract and the Contractor's organizational, financial, contractual or other interests are such that:

- a. Award of the contract may result in an unfair competitive advantage; or The Contractor's objectivity in performing the contract work may be impaired.
- b. In the event the Contractor has an organizational conflict of interest as defined herein, the Contractor shall disclose such conflict of interest fully in the submission of the proposal and/or during the life of the contract.
- c. The Contractor agrees that if after award he or she discovers an organizational conflict of interest with respect to this contract, he or she shall make an immediate and full disclosure in writing to the Director and Executive Manager, which shall include a description of the action which the Contractor has taken or intends to take to eliminate or neutralize the conflict. The Housing & Revitalization Department may, however, terminate the contract if it is in best interest of the City.
- d. In the event the Contractor was aware of an organizational conflict of interest before the award of this contract and intentionally did not disclose the conflict to the Housing & Revitalization Department, the Department may terminate the contract for default.
- e. The provisions of this clause shall be included in all subcontracts and consulting agreements.
- f. No Federal, state or local elected official, nor any member of the City of Detroit Planning Commission or employee of the Housing & Revitalization Department, nor any corporation owned or controlled by such person, shall be allowed to participate in any share or part of this contract or to realize any benefit from it. This provision shall be construed to extend to this contract if made with a corporation for its general benefit.
- g. No member, officer, or employee of the City of Detroit Housing & Revitalization Department, no member of the governing body of the City of Detroit or any other local government and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the project, shall, during his or her tenure, or for one year thereafter, have any interest, direct or indirect, in this contract or the proceeds thereof.
- h. The Housing & Revitalization Department reserves discretion to determine the proper treatment of any conflict of interest disclosed under this provision.

**Witnesses:**

1. \_\_\_\_\_

2. \_\_\_\_\_

**Developer/Owner:**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_



## **APPENDIX A: COMMUNITY HOUSING DEVELOPMENT ORGANIZATION QUALIFICATIONS AND CERTIFICATION PROCESS**

To pursue certification, the CHDO certification application must be completed and submitted with the project application. To qualify for Community Housing Development Organization (CHDO) certification, all of the following criteria must be met:

1. Must be a non-profit entity organized under State or local laws; has no part of its net earning inure to the benefit of any member, founder, contributor, or individual; has a tax exempt ruling under Section 501 (c)(3) or (4) of the Internal Revenue Code; and has among its purposes the provision of affordable housing to low- and moderate-income persons.
2. At least 1/3 of the entity's governing board membership is for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations. No more than one-third of the governing board members may be public officials (including City employees) or appointed thereby, and government-appointed board members may not, in turn, appoint any of the remaining board members.
3. If the entity is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members.
4. The entity is not controlled, nor receives directions from individuals, or entities seeking profit from the organization.
5. If the entity is sponsored or created by a for-profit entity, the for-profit entity's primary purpose does not include the development or management of housing, and the entity is free to contract for goods and services from vendor(s) of its own choosing.
6. The entity (or its parent) has a history of serving the community within which housing to be assisted with HOME funds is to be located and provides a formal process for low-income program beneficiaries to advise the organization in affordable housing development decisions.
7. The entity conforms to the financial accountability standards of 24 CFR 84.21 "Standards for Financial Management Systems."
8. The entity has a demonstrated capacity for carrying out activities assisted with HOME funds.

## APPENDIX B: CITY OF DETROIT INCOME LIMITS, HOME RENTS AND UTILITY ALLOWANCES

**All units assisted with HOME funds must serve households with incomes at or below 60% of the Area Median Income (AMI), adjusted by household size, as defined below.**

**Income Limits [Source: [2018 HUD Income Limits](#)]**

Household Size	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
<b>80% AMI</b>	39,700	45,400	51,050	56,700	61,250	65,800	70,350	74,850
<b>60% AMI</b>	29,820	34,080	38,340	42,540	45,960	49,380	52,800	56,160
<b>50% AMI</b>	24,850	28,400	31,950	35,450	38,300	41,150	44,000	46,800

**HOME Maximum Rents [Source: [2018 HUD HOME Program Rent Limits](#)]**

<b>MAXIMUM RENT STANDARDS</b> <i>(Subtract Utility Allowance to Determine Maximum Actual Rents)</i>						
Unit Size	0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	5 Bedrooms
<b>Low Home Rent Limit</b>	600	665	798	921	1028	1135
<b>High Home Rent</b>	600	727	940	1238	1337	1516
<b>For Information Only: Fair Market Rent</b>	600	727	940	1238	1337	1516
<b>50% Rent Limit</b>	621	665	798	921	1028	1135
<b>65% Rent Limit</b>	854	916	1102	1264	1390	1516

\*Adjusted Low HOME Rent or High HOME Rent corrects for last year's incorrect hold harmless rent. For all HOME projects, the maximum allowable rent is the HUD calculated High HOME rent Limit and/or Low HOME Rent Limit.

NOTE: The rent standards above must be reduced if the tenant pays for utilities since the calculation of these rent standards includes all utilities except telephone.

**Maximum Rent Example:**

1 Bedroom Apartment:	\$648
Allowance for heat:	-\$ 41
Maximum Allowable HOME:	\$607

## APPENDIX B:

### 2018 HUD HOME INCOME LIMITS

U.S. DEPARTMENT OF HUD  
STATE: MICHIGAN

		----- 2018 ADJUSTED HOME INCOME LIMITS -----							
PROGRAM		1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Detroit-Warren-Livonia, MI	HUD Metro FMR Ar								
	30% LIMITS	14900	17000	19150	21250	22950	24650	26350	28050
	VERY LOW INCOME	24850	28400	31950	35450	38300	41150	44000	46800
	60% LIMITS	29820	34080	38340	42540	45960	49380	52800	56160
	LOW INCOME	39700	45400	51050	56700	61250	65800	70350	74850

## APPENDIX B: CITY OF DETROIT UTILITY SCHEDULE

As of Dec. 2018

### Monthly Allowances for Tenant-Paid Utilities

LOW RISE/GARDEN APARTMENTS							
Utility	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Heating: Natural Gas	\$33.00	\$41.00	\$49.00	\$57.00	\$69.00	\$78.00	\$87.00
Heating: Electric	48.00	65.00	82.00	100.00	128.00	146.00	168.00
Cooking: Natural Gas	3.00	4.00	6.00	7.00	9.00	10.00	12.00
Cooking: Electric	9.00	12.00	15.00	19.00	24.00	27.00	31.00
Hot Water: Gas	8.00	11.00	14.00	17.00	21.00	24.00	28.00
Hot Water: Electric	24.00	34.00	43.00	53.00	67.00	77.00	88.00
Air Conditioning:	7.00	11.00	14.00	17.00	22.00	25.00	28.00
Water & Sewer	36.00	45.00	63.00	89.00	116.00	142.00	169.00
Range	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Trash Collection	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Refrigerator	7.00	7.00	7.00	7.00	7.00	7.00	7.00



## APPENDIX B: CITY OF DETROIT UTILITY SCHEDULE

As of Dec. 2018

### Monthly Allowances for Tenant-Paid Utilities

DUPLEX OR TWO FAMILY							
Utility	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Heating: Gas	\$33.00	\$41.00	\$49.00	\$57.00	\$69.00	\$78.00	\$87.00
Heating: Electric	48.00	65.00	82.00	100.00	128.00	146.00	168.00
Cooking: Gas	3.00	4.00	6.00	7.00	9.00	10.00	12.00
Cooking: Electric	9.00	12.00	15.00	19.00	24.00	27.00	31.00
Hot Water: Natural Gas	8.00	11.00	14.00	17.00	21.00	24.00	28.00
Hot Water: Electric	24.00	34.00	43.00	53.00	67.00	77.00	88.00
Air Conditioning	7.00	11.00	14.00	17.00	22.00	25.00	29.00
Water & Sewer	36.00	45.00	63.00	89.00	116.00	142.00	169.00
Range/Microwave	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Trash Collection	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Refrigerator	7.00	7.00	7.00	7.00	7.00	7.00	7.00



## APPENDIX B: CITY OF DETROIT UTILITY SCHEDULE

As of Dec. 2018

### Monthly Allowances for Tenant-Paid Utilities

SINGLE-FAMILY DETACHED HOUSE							
UTILITY	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
<i>Heating: Natural Gas</i>	\$34.00	\$43.00	\$52.00	\$61.00	\$74.00	\$83.00	\$93.00
<i>Heating: Electric</i>	51.00	69.00	88.00	108.00	137.00	157.00	181.00
<i>Cooking: Natural Gas</i>	3.00	4.00	6.00	7.00	9.00	10.00	12.00
<i>Cooking: Electric</i>	9.00	12.00	15.00	19.00	24.00	27.00	31.00
<i>Hot Water: Natural Gas</i>	8.00	11.00	14.00	17.00	21.00	24.00	28.00
<i>Hot Water: Electric</i>	24.00	34.00	43.00	53.00	67.00	77.00	88.00
<i>Air Conditioning</i>	8.00	12.00	15.00	18.00	23.00	27.00	31.00
<i>Water &amp; Sewer</i>	42.00	54.00	77.00	113.00	148.00	184.00	219.00
<i>Range/Microwave</i>	7.00	7.00	7.00	7.00	7.00	7.00	7.00
<i>Trash Collection</i>	12.00	12.00	12.00	12.00	12.00	12.00	12.00
<i>Refrigerator</i>	7.00	7.00	7.00	7.00	7.00	7.00	7.00



## APPENDIX B: CITY OF DETROIT UTILITY SCHEDULE

As of Dec. 2018

### Monthly Allowances for Tenant-Paid Utilities

ROW HOUSE OR TOWN HOUSE							
UTILITY	0BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
<i>Heating: Natural Gas</i>	\$33.00	\$41.00	\$49.00	\$57.00	\$69.00	\$78.00	\$87.00
<i>Heating: Electric</i>	48.00	65.00	82.00	100.00	128.00	146.00	168.00
<i>Cooking: Natural Gas</i>	3.00	4.00	6.00	7.00	9.00	10.00	12.00
<i>Cooking: Electric</i>	9.00	12.00	15.00	19.00	24.00	27.00	31.00
<i>Hot Water: Natural Gas</i>	8.00	11.00	14.00	17.00	21.00	24.00	28.00
<i>Hot Water: Oil/Electric</i>	24.00	34.00	43.00	53.00	67.00	77.00	88.00
<i>Air Conditioning</i>	7.00	11.00	14.00	17.00	22.00	25.00	29.00
<i>Water &amp; Sewer</i>	36.00	45.00	63.00	89.00	116.00	142.00	169.00
<i>Range</i>	7.00	7.00	7.00	7.00	7.00	7.00	7.00
<i>Trash Collection</i>	12.00	12.00	12.00	12.00	12.00	12.00	12.00
<i>Refrigerator</i>	7.00	7.00	7.00	7.00	7.00	7.00	7.00





## APPENDIX B: CITY OF DETROIT UTILITY SCHEDULE

As of Dec. 2018

### Monthly Allowances for Tenant-Paid Utilities

HIGH RISE: 5 OR MORE STORIES							
UTILITY	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Heating: Natural Gas	\$30.00	\$37.00	\$44.00	\$51.00	\$61.00	\$69.00	\$77.00
Heating: Electric	41.00	56.00	71.00	86.00	110.00	128.00	144.00
Cooking: Natural Gas	3.00	4.00	6.00	7.00	9.00	10.00	12.00
Cooking: Electric	9.00	12.00	15.00	19.00	24.00	27.00	31.00
Hot Water: Natural Gas	8.00	11.00	14.00	17.00	21.00	24.00	28.00
Hot Water: Electric	24.00	34.00	43.00	53.00	67.00	77.00	88.00
Air Conditioning	6.00	9.00	12.00	15.00	19.00	21.00	25.00
Water & Sewer	36.00	45.00	63.00	89.00	116.00	142.00	169.00
Range	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Trash Collection	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Refrigerator	7.00	7.00	7.00	7.00	7.00	7.00	7.00

## APPENDIX C: ENVIRONMENTAL REVIEW

All projects which receive funding through this NOFA are subject to the HUD environmental review requirements. The HUD environmental review requirements are found in Title 24, Part 58, of the Code of Federal Regulations. The project must satisfy the HUD environmental review requirements before the City may commit funds to the project. The City shall interpret “commit” as execution of the development and the loan agreements for the project.

Upon application for assistance through this NOFA, the Developer and all project participants (i.e. public or private non-profit or for-profit entities, or any of their contractors) agree to the following stipulations: (1) that the provision of any funds to a project is subject to the findings of the environmental review, and (2) that **neither the Developer nor any project participant shall undertake any "choice limiting actions" until the environmental review process is complete**, all parties have executed the development and loan agreements for the project, and the City has issued a notice to proceed. Neither the Developer nor any project participant may undertake any "choice limiting action" between the date of issuance of this NOFA and the date of the notice to proceed from the City.

The findings of the environmental review may identify environmental concerns that necessitate an alteration, a change, or a modification to the proposed project. The City may require alterations, changes, or modifications to the project based upon the findings of the environmental review, and the Developer and all project participants must implement any alterations, changes, or modifications required by the City as a condition of funding.

The City shall define “choice limiting actions” as any of the following: (1) acquisition of any real property associated with the project, (2) any improvements to the property or properties associated with a project, (3) any rehabilitation of an existing structure located on property associated with the project, (4) any construction of a new structure located on property associated with the project, or (4) demolition of any existing structure located on property associated with the project. **Neither the Developer nor any project participant may undertake any "choice limiting action" between the date of issuance of this NOFA and the date of the notice to proceed from the City.** If the City discovers that the Developer or any project participant committed a “choice limiting action” during this time period, then the City may deny funding to an entire project or may disqualify for reimbursement any cost associated with the particular “choice limiting action.”

The City shall NOT define “choice limiting actions” as either of the following: (1) an option agreement for the acquisition of real property, or (2) a non-binding purchase agreement. An option agreement is an exclusive right to purchase a property at a specific price within a specified time period without an obligation to purchase. A non-binding agreement establishes that there is no legal obligation on the part of the buyer to purchase the property; that acquisition will proceed only if there is compliance with the HUD environmental requirements.

## **APPENDIX D: EXECUTIVE ORDER NO. 2016-1**

### **EXECUTIVE ORDER 2016-1**

**TO:** ALL BOARDS, COMMISSIONS, DEPARTMENT DIRECTORS, CITY COUNCIL MEMBERS, CITY CLERK, DEVELOPERS, CONTRACTORS, AND DETROIT ECONOMIC GROWTH CORPORATION (DEGC).

**FROM:** MICHAEL E. DUGGAN, MAYOR

**SUBJECT:** UTILIZATION OF DETROIT RESIDENTS ON PUBLICLY-FUNDED CONSTRUCTION PROJECTS

**DATE:** December 16, 2016

**WHEREAS**, it is the policy of this Administration to encourage and maximize the utilization of Detroit residents on all City contracts and all projects benefited by City subsidies. An important component of the economic revitalization of Detroit is the employment of Detroit residents. Accordingly, this Executive Order directs any entity entering into a publicly-funded construction project to implement specific residency targets for its workforce, as follows:

1. A "publicly-funded construction project," for purposes of this Executive Order, means (a) any construction contract for more than \$3,000,000.00 (Three Million Dollars) made by the City with any person or entity; and (b) any construction project for which the City, affiliated public or quasi-public entities of the City, or any of their agents or contractors provides funds or financial assistance via any of the following methods, where total assistance from the City or its affiliated entities is over \$3,000,000.00 (Three Million Dollars):

- (1) The sale or transfer of land below its appraised value;
- (2) Direct monetary support;
- (3) Public contributions originated by the State of Michigan or its agencies, the United States government or its agencies, or any other non-City government entity, and for which City approval is required and obtained; or
- (4) Tax increment financing. For purposes of calculating the total assistance directly provided through tax increment financing, tax revenue that would have accrued to all government entities shall be counted.

Other persons or entities doing business with the City, but not covered by this section, may voluntarily agree to be bound by some or all of the substantive requirements of this Executive Order.



2. A "bona-fide Detroit resident," for purposes of this Executive order, means an individual who can demonstrate residency in the City of Detroit as of a date at least thirty (30) days prior to the date the person seeks to be employed for work on a publicly-funded construction project. Residency shall be established by the address listed on (a) any one of the following: State of Michigan identification card, State of Michigan driver's license, or Detroit municipal ID; plus (b) any one of the following: Voter Registration Card, Motor Vehicle Registration, most recent federal, state, or City of Detroit tax returns, Lease/Rental agreement, the most recent utility bill (or utility affidavit signed by a landlord with respect to a leased residence), or most recent municipal water bill. Other forms of proof-of-residence may be accepted under certain circumstances.

3. All publicly-funded construction contracts shall include a provision providing that at least 51% of the workforce on the publicly-funded construction project shall be bona-fide Detroit residents. This requirement shall be referred to as the "Workforce Target." The Workforce Target shall be measured by the hours worked by bona-fide Detroit residents on the publicly-funded construction project.

4. Developers, general contractors, prime contractors and subcontractors are all required to comply with the terms of this Executive Order. Collectively, these entities are hereinafter referred to as "contractors." It is, however, the sole responsibility of the person or entity contracting with the City of Detroit to require all of its subcontractors either to (a) meet the Workforce Target; or (b) make the required contribution to the City's Workforce Training Fund, as provided in Paragraph 6 of this Executive Order. Contractors may utilize local unions, Detroit Employment Solutions Corporation, or other entities to help meet the Workforce Target. Failure to satisfy the requirements of this Executive Order shall constitute a breach of contract and may result in the immediate termination of the contract.

5. Upon execution of a publicly-funded construction contract, the City of Detroit's Civil Rights, Inclusion and Opportunity Department ("CRIO") shall determine whether the Workforce Target in the contract shall be measured periodically either (a) monthly or (b) quarterly. This period shall be referred to as the "measurement period." Thereafter, for the duration of the construction project, the contractor shall, at the end of each measurement period, submit to CRIO a report indicating:

- (1) The total hours worked on the project during the preceding measurement period ("total work-hours");
- (2) The total hours worked on the project by bona-fide Detroit residents during the preceding measurement period; and
- (3) If applicable, the amount by which the contractor fell short of meeting the Workforce Target. A contractor falling short of the Workforce Target shall report both (a) the raw number of total work-hours by which the contractor fell short of the Workforce Target; and (b) the percentage of total work-hours by which the contractor fell short of the Workforce Target.

6. A contractor who does not meet the Workforce Target in any measurement period shall help strengthen Detroit's workforce by making a monetary contribution to the City's CRIO-administered Workforce Training Fund, thereby supporting the skill development of Detroit residents. The required contribution for any contractor who does not meet the Workforce Target shall be the sum of the following:

- (1) For each work-hour comprising the first 0-10% of total work-hours by which the contractor fell short of the Workforce Target, 5% of the average hourly wage paid by the contractor on the publicly-funded construction project during the preceding measurement period.
- (2) For each work-hour comprising the second 0-10% of total work-hours by which the contractor fell short of the Workforce Target (if applicable), 10% of the average hourly wage paid by the contractor on the publicly-funded construction project during the preceding measurement period.
- (3) For each work-hour comprising the remaining 0-31% of total work-hours by which the contractor fell short of the Workforce Target (if applicable), 15% of the average hourly wage paid by the contractor on the publicly-funded construction project during the preceding measurement period.<sup>1</sup>

7. If a contractor contracts for labor through a union which is meeting the goals set for it under the Detroit Skilled Trades Employment Program, that contractor will be deemed to have met the Workforce Target with respect to the employees for which it contracted through such a union.

Specifically: CRIO will make a periodic determination whether a union participating in the Detroit Skilled Trades Employment Program is meeting its established goals under that Program. For purposes of calculating a contractor's compliance with the Workforce Target, a union which, as of the date a contractor executes its publicly-funded construction contract or subcontract, is meeting its goals under the Program shall be deemed to have no less than 51% of the hours worked by its members on the publicly-funded construction project worked by bona-fide Detroit residents. If bona-fide Detroit residents actually account for more than 51% of the hours worked by union members on a publicly-funded construction project, that actual percentage may be used for purposes of calculating compliance with the Workforce Target.

8. If CRIO determines a contractor is in non-compliance with the requirements of this Order, CRIO will notify the contractor, in writing, of the contractor's non-compliance.

If a contractor wishes to challenge a finding of non-compliance, the contractor may, within fifteen (15) days of the notice of non-compliance, file with CRIO a written notice challenging the finding of non-compliance, and detailing the reasons for that challenge. The challenge will then be

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<sup>1</sup> Thus, for example, if 25% of the total work-hours performed on a publicly-funded construction project were performed by bona-fide Detroit residents, the contractor will have fallen short of the Workforce Target by 26% of the total work-hours. That contractor's minimum required contribution would be the sum of (1) 5% of the average hourly wage for 10% of the total work-hours; (2) 10% of the average hourly wage for 10% of the total work-hours; and (3) 15% of the average hourly wage for 6% of the total work-hours.

forwarded to a panel comprising of (1) the City's Corporation Counsel or his or her designee; (2) the head of the Department of Administrative Hearings or his or her designee; and (3) the Director of the Buildings, Safety, Engineering, and Environment Department, or his or her designee. The panel shall adjudicate the challenge and issue a written decision. The panel may, but need not, schedule an oral hearing on the challenge.

If following written notice of non-compliance and the adjudication of any challenge, the contractor fails or refuses to take corrective actions within thirty (30) days, the City of Detroit may do any of the following:

- (1) withhold from the contractor all future payments under the construction contract until it is determined that the contractor is in compliance;
- (2) refuse all future bids on city projects or applications for financial assistance in any form from the city or any of its departments, until such time as the contractor demonstrates that it has cured its previous non-compliance;
- (3) debar the contractor from doing business with the City of Detroit for a period of up to one year.

In addition, the City of Detroit reserves the right to re-bid the contract, in whole or in part, or hire its own workforce to complete the work.

9. All applicable construction contracts, construction contract amendments, change orders and extensions shall include the terms of this Executive Order. CRIO shall have the responsibility for preparing administrative guidelines related to this Executive Order, and for monitoring and enforcing the provisions of this Executive Order.

\* \* \*

Pursuant to the powers vested in me by the 1963 Michigan Constitution and by the 2012 Detroit City Charter, I, Michael E. Duggan, Mayor of the City of Detroit, issue this Executive Order. This Executive Order is effective upon its execution and filing with the City Clerk and supersedes Executive Order No. 2014-4 issued by me on August 22, 2014. Provided, however, that this Executive Order shall not supersede the operation of any prior Executive Order with respect to any publicly-funded construction project on which construction activities have commenced as of the date of this Executive Order.

Michael E. Duggan  
Mayor, City of Detroit



## APPENDIX E: SECTION 3 INFORMATION

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968, federal regulation §24 CFR 135. The City of Detroit is committed to their Section 3 Program to foster local economic development, neighborhood economic development, and individual self-sufficiency. Section 3 Program requires recipients of certain HUD housing and community development financial assistance, to the greatest extent feasible, to provide employment and job training for low- and very low-income persons and contracting opportunities to business concerns which provides economic opportunities to low- and very low-income persons in connection with projects and activities in their neighborhoods.

### Employment and Training

To demonstrate compliance with HUD Section 3 regulations, the goal is to employ Section 3 residents at least thirty percent (30%) of the aggregate number of new hires and to provide training to those new hires. Also the agreement is to provide information regarding existing employees and projected hiring needs as a part of the City of Detroit Section 3 Plan when submitting plans for HUD covered contracts.

### Contracting

To demonstrate compliance with HUD Section 3 regulations, the goal is to contract at least 10% of the total dollar amount of all Section 3 covered construction work and 3% of the total dollar amount of all Section 3 covered non-construction work to Section 3 business concerns.

Therefore, the goals for each developer, contractor and subcontractor on a covered Section 3 project must acknowledge and actively seek to achieve the following Section 3 goals:

- ☐ At least thirty percent (30%) of the aggregate number of new hires needed to complete the project shall be Section 3 Residents; and
- ☐ At least ten percent (10%) of the total dollar amount of all covered construction contracts shall be awarded to Section 3 business concerns; and
- ☐ At least three percent (3%) of the total dollar amount of all covered non-construction (including routine maintenance, HVAC servicing, re-painting, lawn care, and professional services – architectural, engineering, legal services, accounting, marketing, etc.) contracts shall be awarded to Section 3 business concerns.

A Section 3 Plan is submitted when a company is bidding on or has been awarded a HUD funded covered project. When awarded HUD funds for a covered Section 3 project, the Section 3 Plan is used as a baseline for meeting the minimum goal requirements as stated above. Compliance documents:

- ☐ Section 3 Plan
- ☐ Workforce Form
- ☐ Verification of Income Form (for Section 3 Residents only)
- ☐ Section 3 Summary Report - as agreed upon depending of the length of the project (timing could be monthly, quarterly, semi-annual, and/or annual), **which could include certified payroll, unconditional waiver, or etc.**
- ☐ Section 3 Final Summary Report – at completion of project

### Section 3 Business Certification and Program Information

Section 3 business concerns receive a preference in HUD contracting opportunities. If you would like more information on the Section 3 Program and to certify as a Section 3 business, visit Civil Rights, Inclusion & Opportunity's (CRIO) web page, <https://detroitmi.gov/departments/civil-rights-inclusion-opportunity-department/section-3-program> . The office is located in the Coleman A. Young Municipal Center (CAYMC), Suite 1240. The program manager is Patricia Ford, 313-224-9515, [CRIOsection3@DetroitMi.gov](mailto:CRIOsection3@DetroitMi.gov).

## **APPENDIX F: SECTION 3 CLAUSE**

(This clause must be included in all contracts.)

All Section 3 covered contracts shall include the following clause (referred to as the “Section 3 Clause”):

- A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this contract agree to comply with HUD’s regulations in 24 CFR Part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers’ representative of the contractor’s commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applications for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR Part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR Part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR Part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected by before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor’s obligations under 24 CFR part 135.
- F. Noncompliance with HUD’s regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.
- G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).



**2016 Targeted Multifamily Housing Areas**  
 NOVEMBER 6, 2015

**Legend:**

- Council Districts
- Commercial Corridors
- Major Parks
- Planning Study Areas
- Greater Downtown

**Scale:** 0 1.25 2.5 5 Miles

**Sources:** Detroit Planning & Development Dept., 2015; Detroit Housing & Revitalization Dept., 2015