

Second Floor Apartment Program

Program Guidelines 2024

Housing & Revitalization Department



City of Detroit
Housing & Revitalization Department
detroitmi.gov/hrd
CAYMC 2 Woodward Ave Suite 908
313-224-6380

Image: Black Bottom 1949, Burton Historical Collection Detroit Public Library



1. PROGRAM PURPOSE

The Second Floor Apartment Program offered by the City of Detroit Housing and Revitalization Department (HRD) supports property owners seeking to renovate vacant second floor apartment space into occupied rental units with rents at or below 60% of Area Median Income (AMI). Grants provide a financial incentive to help building owners better utilize their vacant or underperforming space. With more second floor apartments, residents have more varied and viable living options, property owners have diversified income, and business corridors have increased residential customer base.

Second floor apartment units are common throughout Detroit and were generally built prior to 1950. This program is part of the City of Detroit's focus on expanding quality and affordable rental units, especially amid the hardships of COVID-19. The funding allocated by HRD is part of the \$203 million housing plan announced by Mayor Mike Duggan and City Council members as part of an effort to increase the number of affordable rental housing units in the city.

Grant funds can be used for hard construction costs that result in the issuance of a Rental Certificate of Compliance from the Building, Safety, Environmental, and Engineering Department (BSEED).

Rents cannot exceed the 60% AMI by bedroom rental rates as set yearly by the Michigan State Housing and Development Authority (MSHDA) for five (5) years.

2023 60% Area Median Income (AMI) Monthly Rent by Bedroom:

- 0 bed - \$994
- 1 bed - \$1,065
- 2 bed - \$1,279
- 3 bed - \$1,477

2. FINANCIAL PRODUCT PARAMETERS AND AWARD TERMS

Financial Product Parameters

1. The Second Floor Apartment Program offers a **reimbursable and matching grant** to convert second floor space to code-compliant rental unit(s)
 - a. **Matching** – Grants fund a maximum of 50% of approved project costs
 - b. **Reimbursable** - Owner must cover 100% of project costs upfront and is reimbursed for the approved grant amount. Approved grant funds are paid out to owner upon issuance of a Rental Certificate of Compliance from the Building Safety Environmental and Engineering Department (BSEED), submission of contractor invoices, and an executed twelve (12) month lease at 60% of area median income per bedroom as set by the Michigan State Housing and Development Authority (MSHDA)
2. Award amount
 - a. Grant funding of up to \$10,000 per residential unit is available citywide
 - b. Grant funding of up to \$20,000 per residential unit is available for properties located in specific geographic areas where other public investment is occurring
 - i. Within 500 feet of the Traditional Main Streets Overlay Areas
 - ii. Within 500 feet of public streetscape investment 2019-2022
 - iii. Within one quarter mile of the Joe Louis Greenway route 2022
3. Maximum of 4 rental units per applicant, minimum of 1 rental unit per applicant

Award Terms

1. Eligible grant uses
 - a. Grant funds can be utilized for renovation and/or construction costs, with an emphasis on repairs required to receive a Rental Certificate of Compliance from the Building Safety, Environmental, & Engineering Department (BSEED)
 - b. HRD can reject activities it deems ineligible
 - c. Eligible costs include:
 - i. Materials – Building substance used as part of the renovation (Example: drywall, furnace, flooring, paint)
 - ii. Labor – Tasks completed as part of the renovation (Example: drywall installation, painting, furnace installation)
 - iii. Permit fees - Any inspection, permit, and registration fees and expenses necessary to conduct repairs in compliance with all local, state, and federal regulations.
 - iv. Containment - Materials used to prepare and secure work area
2. Owner must enter into a grant agreement with the City of Detroit or third-party administrator agreeing to program terms

3. Owner must allow HRD building inspectors or third-party administrator access to the building to inspect for cost reasonableness and construction progress
4. Five (5) Year Affordability Period
 - a. Completed units must have rental rates affordable to residents at or below 60% Area Median Income (AMI) per bedroom as set by the Michigan State Housing and Development Authority (MSHDA)
 - b. Completed units must submit executed twelve (12) month lease agreement to receive grant reimbursement
 - c. Owners must keep rents at 60% AMI per bedroom as set by the Michigan State Housing and Development Authority (MSHDA) for five (5) years from the start date of the first year's lease agreement
 - d. Owners must document lease agreements with rents at 60% AMI per bedroom as set by the Michigan State Housing and Development Authority (MSHDA) for the full five (5) year affordability period and make those leases available to HRD when requested
5. Completed units must keep the Rental Certificate of Compliance current during the five (5) year affordability period
6. Short-term rentals are not eligible for this program
7. Owner occupied units are not eligible for this program

3. ELIGIBILITY REQUIREMENTS

Building Eligibility

1. Building must be located within Detroit
2. Building must be two stories
3. Building must have second floor space that was residential space at any point in the building history
4. Building must have commercial space on the ground floor
5. Building must not be on the dangerous building list
6. Property taxes must be current
7. Water bill must be current
8. Building may not have unpaid city tickets
9. Building must be insured during the construction period and rental period
10. Must adhere to all BSEED registration requirements
11. Residential rental units receiving grant funds cannot be currently occupied by tenants
12. Residential rental units receiving grant funds cannot have a current Rental Certificate of Compliance

Owner Eligibility

1. The program is open to property owners
2. Owner must have fee simple ownership of two-story mixed-use building within the City of Detroit
3. The owner may have a mortgage on the property
4. Buildings owned by land contract are not eligible for this program

HRD will review the building and the owner to determine eligibility

4. CONSTRUCTION REQUIREMENTS

1. Must secure permits for all construction activities
2. Must use a licensed general contractor and subcontractors
3. Must use licensed architect if required
4. Must have property insurance
5. Reimbursable construction work may not begin until owner has executed a grant agreement with the HRD
6. Construction must be completed by June 30, 2025, grant approval expected June 1, 2024 (modifications of these time periods are at the discretion of the HRD)
7. Grantees will be in default if rehabilitation is not undertaken and completed under these timeframes, in which event, will disqualify applicants from reimbursement
8. Applicable code requirements under 2015 Michigan Rehabilitation Code for Existing Buildings (MRC) required to provide separation between use groups, egress and MRC level of alterations
9. Must adhere to all the policies and regulations of the Building Safety Environmental and Engineering Department (BSEED)
10. Walkthroughs of the project are required as request by HRD
11. Complete BSEED Rental Certificate of Compliance process

5. APPLICATION

The program application is available on the City of Detroit website at:

[Detroitmi.gov/second-floor-apartment-program](https://detroitmi.gov/second-floor-apartment-program)

Applicants must submit a detailed application that includes the following documents:

1. **Construction scope of work** – Provide a clear and accurate document detailing the construction activities to take place and the cost of those activities. This document must be prepared by a licensed general contractor. Cost should be inclusive of materials, labor, permit fees, and containment.
2. **Contact information of development team** - Provide credentials for general contractor (required), architecture firm (if required), and other consultants (if any)
3. **Project Financing** – Provide evidence of financial capacity to complete the repairs in accordance with the financial product parameters. Provide bank statements or commitment letters that prove all private financing is in place to cover full repair costs
4. **Project Pro forma** – Provide a pro forma outlining sources, uses, rents, expenses, net operating income, and debt payments
5. **Project Timeline** – Provide a project timeline for renovations to be complete by June 30, 2025, grant approval expected June 1, 2024
6. **Floor Plan** – Provide interior floor plan of second floor apartment units including bedroom count and square footage
7. **Supporting documents** (Provide All)
 - a. Property deed indicating property ownership
 - b. Proof that property taxes are current
 - c. Proof water bill is current
 - d. Proof of insurance on the building
 - e. Certificate of Occupancy for 1st floor (if currently occupied)
 - f. Resumes for building owner and development team
 - g. Exterior photos of all four sides of the building
 - h. Interior photos of each room in a residential unit requesting grant funds

6. SCOPE OF WORK EXAMPLE

HRD is providing the below scope of work template to inform applicants of the level of detail requested. Applicants can use the below format or a different format as long as all details are included. Include a full summation of costs for all line items.

SCOPE OF WORK FOR 123 FAKE STREET						
Work Category	Work Description	Permit Type	Unit	Quantity	Brand	Final Pricing
Example: Cabinets, Drywall, Electrical, Plumbing	Detailed description of work to be completed and the materials to be used	Building, Mechanical , N/A	Linear Foot(LF), Square Foot (SF), or Number of Units	Number of LF, SF, or Units	Brand of material when applicable Example: Goodman Furnace	Total cost of work line item

Example 1 Cabinets	Install approx. ## LF of base cabinets with cut out of countertop/sink/faucet. Cabinet work shall be Custom grade construction with hardwood doors and drawer faces, plywood construction drawers, hardwood veneer end panels, and solid wood toe kicks. This work includes the installation of cabinet pulls and associated shelving.	Building	LF	##	N/A	\$\$
Work Category	Work Description	Permit Type	Unit	Quantity	Brand	Final Pricing
Example 2 Flooring	Install new vinyl click-lock flooring over the existing floor. Install shoe molding around the room perimeter and all necessary transition components, approx. 500 SF	Building	SF	500	N/A	\$500.00

7. APPLICATION SCORING CRITERIA

Complete applications will be reviewed by City of Detroit staff to ensure program eligibility. Eligible building owners will be contacted to schedule a building site visit with City of Detroit inspection staff to verify construction cost reasonableness.

A committee of City of Detroit employees will score applications based on the criteria below. The City of Detroit may request additional information or clarifications from the applicants.

Thirty five (35) points possible

1. **Construction Scope of Work** - Ten (10) points possible
 - a. Complete scope of work submitted
 - b. Costs are reasonable as determined by City of Detroit building inspection staff
2. **General contractor** - Five (5) points possible
 - a. General contractor contact and credentials submitted
3. **Proof of Funds** - Five (5) points possible
 - a. Applicant has demonstrated access to required funds to complete the project
4. **Timeline** - Five (5) points possible
 - a. Applicant has submitted a project timeline for project completion by June 30, 2025
 - b. Timeline is reasonable as determined by City of Detroit building inspection Staff
5. **Commercial Occupancy** - Five (5) points possible
 - a. The building contains one or more occupied commercial space(s) on first floor
6. **Residency** - Five (5) points possible
 - a. Building owner also has their principal residence in Detroit

The City of Detroit can reject any application at its discretion

8. DETERMINING ELIGIBLE GRANT AMOUNT

Determining the number of grants a building is eligible for:

1. One (1) building may receive a maximum of four (4) grant awards
2. Grant awards are made per each residential unit renovated
3. A building owner may choose to renovate only a portion of the total units

Example 1 Building has less than four (4) residential units total: Second floor apartment building contains two (2) residential units, owner will renovate both units, both units are eligible for grant awards. TWO (2) AWARDS ELIGIBLE

Example 2 Building has more than four residential (4) units total: Second floor apartment building contains six (6) residential units, owner will renovate all six (6) units, the maximum number of grants the building may receive is four (4) units. FOUR (4) AWARDS ELIGIBLE

Example 3 Building owner is only renovating a portion of the total residential units: Second floor apartment building contains four (4) residential units, owner will only renovate two (2) of the four (4) units, the maximum number of grants the building may receive is two (2) units. TWO (2) AWARDS ELIGIBLE

Determining grant amount a building is eligible for:

1. Grant funding of up to \$10,000 per residential unit is available citywide
2. Grant funding of up to \$20,000 per residential unit is available for properties located in specific geographic areas where other public investment is occurring.
 - a. Within 500 feet of the Traditional Main Streets Overlay Areas
 - b. Within 500 feet of public streetscape investment projects from 2019-2022
 - c. Within one quarter mile of the Joe Louis Greenway route 2022

HRD has measured all distances from the authoritative data sets and will make all final determinations on geographic eligibility. Distances are measured 'as the crow flies' to the parcel boundary.

Applicants must contact HRD prior to submitting an application to determine eligible grant amount based on the building location

Call or Email HRD to determine eligible grant amount

Name: Adam Kokenakes, Program Analyst IV

Phone: 313-628-0057

Email: kokenakesa@detroitmi.gov

2nd Floor Apartment Program 2024 Process Map



Housing and Revitalization
Department

Color Key:

