

CITY OF DETROIT

Notice of Public Outreach

You are invited to give input on the following proposal

Proposal

Pathways to Removing Obstacles to Housing (PRO Housing) issued by the Department of Housing and Urban Development (HUD)

Meeting Information

Microsoft Teams - Fri 10/4/2024 12:00 PM - 1:00 PM

Meeting ID: 295 633 514 181

Passcode: wyhgth

Dial in by phone

+1 469-998-6602,,476960542#

Phone conference ID: 476 960 542#

Proposal Summary

Pathways to Removing Obstacles to Housing (PRO Housing) supports communities who are actively taking steps to remove barriers to affordable housing.

More Information and Draft Application

<https://detroitmi.gov/departments/housing-and-revitalization-department/public-notices>



With advance notice the City of Detroit will provide interpreter services at public meetings including language translation and reasonable ADA accommodations.

PRO Housing Grant Application

City of Detroit

September 27, 2024

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EXHIBIT A EXECUTIVE SUMMARY

The City of Detroit is applying for the HUD 2024 PRO Housing grant to build more affordable housing. Activities proposed in this application reduce financial and regulatory barriers that restrict affordable housing production and preservation in Detroit. These activities benefit majority low-and-moderate population households. The City of Detroit has many successes removing barriers to affordable housing production and has a proven track record including 4,646 units of affordable housing produced or preserved since 2018.

Despite these successes, many Detroit residents are housing cost burdened, and rents have increased. 59% of all Detroit households pay more than 30% of their income for housing and 21% of Detroit households pay more than 50% of their income for housing. The City of Detroit experienced a 4.5% annual rent growth between 2019 and 2021 in comparison to the Detroit metropolitan area at 4% annual growth. These statistics and others within this application highlight the dire need for Detroit to produce and preserve more affordable housing.

Key barriers to housing production and preservation described in this application include:

- City regulations, approval processes, and land use controls limit new housing development
- Housing developers have difficulty accessing financing, especially small and minority developers
- Public land ownership throughout the city not attracting new housing production

The City is including four activities for PRO Housing funding that address key barriers to the production of housing. The request to HUD is \$4,880,000 with a \$2,620,000 city match.

1. **Zoning Update** - Complete an update to the City's Zoning Ordinance to accommodate and encourage increased production and preservation of affordable housing
2. **Small Buildings NOFA** - Create a Small Buildings Notice of Funding Availability (NOFA) to incentivize 2-8 unit buildings to preserve and produce affordable housing
3. **Pre Development NOFA** - Expand a Pre Development Notice of Funding Availability (NOFA) to support site readiness for affordable housing developments
4. **Pre Permitted Housing** - Incentivize infill housing production on publicly owned land by creating residential housing plans that are pre-approved by the City of Detroit and can be built with expedited site plan review and permitting

Departments that helped produce this application and will participate in the proposed actives include Housing and Revitalization Department (Lead), City Planning Commission, Planning and Development Department, Office of Grants and Development.

The draft PRO Housing application is available for public comment between September 27th and October 13th, 2024. It will be submitted to the Department of Housing and Urban Development (HUD) on October 14th, 2024.

EXHIBIT B: THRESHOLD AND OTHER SUBMISSION REQUIREMENTS

Threshold Eligibility Requirements

1. **Resolution of Civil Rights Matters** -- As of the latest information available, the City of Detroit is in full compliance with the Fair Housing Act and has no outstanding HUD complaints, charges, litigation, determinations of cause, or letters of finding of discrimination.
2. **Timely Submission of Applications** – See the Grants.gov Time Stamp for Application Submission by 11:59 pm Eastern Time on October 15, 2024.
3. **Eligible Applicant** – The City of Detroit is an eligible applicant in accordance with Section III.A of the PRO Housing NOFA and is applying within the “City or township governments” eligibility category. This application is submitted on behalf of the City of Detroit only and is not submitted in conjunction with overlapping geographies or multijurisdictional entities.
4. **Number of Applications** – The City of Detroit is submitting one application and is not a party to any other applications submitted to the PRO Housing grant competition. The City of Detroit is unaware of any other applications that may include Detroit or parts of Detroit as part of their geographic scope.

Other Submission Requirements

1. **Limited English Proficiency (LEP)** -- The City of Detroit is prepared and equipped to ensure that all information regarding the planning process, application, and the components of implementation activities funded by an award are available to LEP populations. Through its Civil Rights and Inclusion Office, the City of Detroit operates a Language Access Program that ensures equitable access to City services for LEP individuals in accordance with federal Title VI non-discrimination laws. The Language Access Program will be deployed to provide on-site language interpretation, video/phone interpretation, and document interpretation in support of the City of Detroit’s PRO Housing activities.
2. **Physical Accessibility** – All meetings held in person by the City of Detroit in conjunction with PRO Housing activities will be held in facilities that are physically accessible to persons with disabilities. All notices and communications during training sessions and public meetings will be provided in a manner that is effective for persons with hearing, visual, and other communication-related disabilities or will provide other means of accommodation for persons with disabilities consistent with section 504 of the Rehabilitation Act of 1973.
3. **Environmental Review** – The City of Detroit is prepared to comply with environmental requirements related to PRO Housing funds. The City of Detroit has existing capacity and significant experience in ensuring compliance with environmental justice requirements as set forth in HUD’s regulations at 24 CFR parts 50 and 58. The City of

Detroit will act as the Responsible Entity and will conduct HUD environmental reviews for each activity funded by an awarded grant. The City of Detroit will fulfill these requirements through its Housing & Revitalization Department which includes five (5) full time staff positions within its HUD Grant Compliance Management & Reporting Division. This Division maintains comprehensive standard operating procedures that are currently used to maintain environmental compliance with HUD programs including Community Development Block Grant Program, Healthy Homes Grant, Home Investment Partnerships Program, Emergency Solutions Grant, Housing Opportunities for persons with AIDS Program, Lead Hazard Reduction Demonstration Grant, and Neighborhood Stabilization Programs.

EXHIBIT C NEED

Improved laws or regulations you have enacted to overcome local barriers to affordable housing production and preservation

The City of Detroit has demonstrated progress and a sustained commitment to overcoming local barriers to housing production. That commitment is highlighted by key changes to laws, ordinances, and regulations that have been identified as barrier to building more affordable housing units. Key changes that have been enacted include:

Inclusionary Housing Ordinance Sec 22-3-1 of Detroit City Code

The Inclusionary Housing Ordinance was passed by City Council September 2017. The ordinance requires that residential development projects receiving City subsidy must contribute to the development of affordable housing by reserving 20% of units at affordable rental rates. The purpose of this ordinance to stimulate the production of rental housing available to low-and-moderate income individuals or families and to promote the development of residential housing projects in which at least 20 percent of the total units are reserved for households with incomes of 80 percent or less of Area Median Income (AMI).

The ordinance applies to housing developments subsidized with over \$500,000 in public funds or developments receiving subsidy on the sale of publicly owned land. Affordable units must remain affordable for 30 years and have an annual income certification. Projects that receive a subsidy on public land sale or local public subsidy are required to provide 20% of units at 80% AMI. Projects that receive state or federal funding are required to provide 20% of units split between 50%, 60%, and 80% AMI.

This Ordinance addresses the barrier of regulations and development policies that cause uncertainty in the development process. This ordinance clearly communicates the requirements and exceptions for City supported affordable housing developments. It highlights Detroit's commitment to producing and preserving affordable housing and signals to the development community the type of projects that will receive City investment.

The measurable impact thus far includes 110 developments containing 8,784 total units (5,723 affordable units) that have been subject to the Inclusionary Housing Ordinance. Affordability for those units includes 1,119 units at 30% AMI, 20 units at 35% AMI, 322 units at 40% AMI, 69 units at 45% AMI, 1,180 at 50% AMI, 19 units at 55% AMI, 1,658 units at 60% AMI, 1,075 units at 80% AMI, 30 Units at 120% AMI, 244 units uncategorized, 3,031 units market rate.

This ordinance leads to increased production and preservation by providing clarity and formality to the number of affordable units required on developments receiving some public benefit. Developers know what to expect when working with City subsidy and can plan the inclusion of the required units early in pre-development. The City ensures this by requiring developers to submit an Affordable Housing Plan detailing the affordable unit mixture. The ordinance provides clarity for exemptions and provides developers certainly on the Affordable housing standard. The ordinance was authored to consider the feasibility of smaller redevelopment projects often built by local development firms. Buildings with less than 20 units are not subject to the

Ordinance and developments only receiving tax abatements are not subject to the ordinance. Additionally, for sale homeownership developments are not subject to the ordinance.

Detroit Affordable Housing Development and Preservation Fund Ordinance Sec. 22-3-7

Detroit Affordable Housing Development and Preservation Fund Ordinance passed by City Council September 2017. This is a City held fund to invest in new residential housing projects for households earning 30 and 50 percent of the Area Median Income. This fund works in conjunction with the Inclusionary Housing Ordinance to provide deeper housing affordability including permanent supportive housing. The City's annual budget contains an appropriation to the Fund of not less than 40 percent of the net receipts of all commercial property sales during the previous fiscal year. Additionally, all penalty payments for failure to maintain the requirements of the Inclusionary Housing Ordinance are deposited into this Fund. The fund can also accept donations. 70 percent of fund moneys must be allocated to directly benefit households earning up to 30 percent AMI. The remaining 30 percent of moneys may be used to benefit households earning up to 50 percent AMI.

This Ordinance addresses the barrier of affordable housing developments able to access financing. This fund provides direct subsidy to housing development activity in the City of Detroit and helps to reduce development and affordability gaps that are a barrier to the production and preservation of affordable housing units. This source of local funding helps reduce risk in the development capital stack.

The measurable impact thus far includes the deposits and expenditures from the fund since enacted. The current fund took in \$2,496,337 from commercial property sales in FY 22/23 and \$1,292,108.524 in FY 21/22. In 22/23 the fund had committed \$4,665,862.48 to four development projects totaling 184 units. 104 at 30% AMI, and 57 units at 50% AMI.

This ordinance leads to increased production and preservation by providing a recurring funding source that is dedicated to creating and preserving affordability at 30% and 50% AMI. Developments serving this AMI category cannot overcome financial barriers without public support. This fund ensures that non-housing development activity contributes to affordable housing development by contributing 40% of commercial property sales to the fund. Philanthropic entities have a clear way to invest in low-income housing and penalty payments received from the Inclusionary Housing Ordinance are earmarked for the development of new affordable housing. The fund is expected to generate \$1,000,000 - \$2,000,000 annually.

Traditional Main Street Overlay Zones Sec. 50-11-381 and Sec. 50-12-159

The Detroit Zoning Ordinance was amended in 2005 to designate certain streets as Traditional Main Street Overlay (TMSO) Areas. These areas have the potential to be pedestrian-scale, walkable areas with a traditional urban feel. In 2020, four additional areas were designated including new uses permitted. The design standards within the TMSO areas are intentionally people-oriented including facade and lighting, parking requirements, and by right outdoor dining. These requirements contribute to the creation of opportunity districts that provide residents access to necessities, employment opportunities, and quality of life. These opportunity districts

are intentionally overlaid by the City's Targeted Multifamily Affordable Housing Areas to create and preserve affordable housing. This co-location of overlay districts makes all affordable housing development within TMSO areas eligible for City funding.

Specifically, the TMSO designation allows residential apartments above commercial by right, without planning commission or zoning board approvals. This allowance reduces the length and cost of the approval process. Rear setback requirements are reduced for buildings with residential dwelling units by 10-20 ft. Reduced setbacks increase the buildable area, increasing the chances that the parcel can be developed and reducing the need for zoning variances by the zoning board of appeals. Parking requirements are reduced for new development. Up to 45 spaces are waived, apartment parking requirements are reduced by 40% in certain areas and on-street parking to be credited toward required parking requirements. This parking minimum reduction reduces total development costs that are expressed through the rental rate.

The TMSO designation addresses the barrier of regulations and development policies that cause uncertainty in the development process. The designation reduces the regulatory burden for certain types of housing and commercial development by expanding approved uses for residential development, reducing building set back requirements, and reducing parking requirements. These by right development benefits reduce developer uncertainty, shorten approval timelines, and have material value in reducing the per unit cost of development.

The measurable impact thus far includes new housing development occurring on the TMSOs since 2014. 24 residential developments have occurred within the TMSOs since 2014. 20 of 24 developments include regulated affordable housing, and 4 developments are fully market rate. This includes 1,374 total units and 439 Affordable Units across all 24 developments. An additional 60 residential developments have sought to co locate with these opportunity districts and are within a 500ft from the TMSOs. 42 developments include regulated affordable housing residential developments, and 18 developments are fully market rate. This includes 3,012 total units and 1,307 Affordable units across all 60 developments.

This ordinance leads to increased production and preservation by allowing by right upper floor housing and regulatory reductions reduce the hard and soft costs associated with development. Vacant land withing the TMSO is more likely to see new construction including publicly owned land. Co-location with City Targeted Multifamily Areas ensures proposed affordable housing projects on TMSOs are eligible for City subsidy. The designation seeks to create walkable districts that attract additional market rate housing and opportunity districts. New buildings are required to be two stories providing future potential for market and affordable housing units

2021 Rental Ordinance Amendment Sec. 8-14-47—8-14-60

Rental properties operating in Detroit are subject to inspection and registration requirements to gain Certificate of Compliance (COC) to rent the unit. The 2021 rental ordinance amendment allows rental properties subject to inspections by other governmental agencies to substitute that inspection for all city inspections. This reduces the requirement for two separate city inspections for condition and lead paint hazards that cost \$1,150 per unit over three years. The ordinance

change reduces the time rental property owners and property management firms must spend to achieve a COC while also reducing internal city administration for these properties.

A secondary amendment in the 2021 Rental Ordinance synchronized the timing of two separate city inspections required for rental properties. Both inspections were amended to be conducted every three years instead of a split annual and three-year cadence, reducing owner confusion.

This ordinance addresses the barrier of regulations and development policies that cause uncertainty in the development process. The change reduces redundant inspection requirements that are onerous on rental property owners and cause confusion in the compliance process. This policy barrier causes many rental property owners to completely avoid any city registration and inspection. Owners that do comply with inspection standards may pass costs down to tenants.

Since the passage of the ordinance, 2,796 Certificates of Compliance (COC) have substituted other governmental rental inspections for the City of Detroit inspections. This represents 27% of all Certificates of Compliance citywide. This change has saved compliant rental property owners a total estimated \$3,215,400 over three years.

This ordinance leads to increased production and preservation of single family and multifamily Housing Choice Voucher properties that are already subject to rental inspections carried out by housing commissions operating in the city of Detroit. By allowing those properties to substitute a federal inspection for city inspections, there is a reduced burden on staff and reduced inspection costs on property owners. The City can be assured that the property has met basic habitability standards required by the federal inspections. Additionally, the barrier reduction incentivizes landlords participating in other governmental programs to become compliant with city code. This is evident by the large percent of current certificates of compliance that have substituted inspections. This change incentivizes developers to operate in the Detroit Market.

Homeowners Property Tax Exemption and the Pay as You Stay Plan

The Homeowners Property Exemption (HOPE) exempts homeowners from their current year property taxes based on household income. The annual HOPE program was amended in 2019 to expand partial property tax exemption for a wider homeowner income range and providing 100%, 50%, 25% or 10% reduction in total property taxes. A companion program called Pay as You Stay (PAYS/HB 5124-2019) was approved and signed into effect by Governor Whitmer March 2, 2020. This legislation allowed the same income guidelines to exempt previous years back taxes. The table below lists the income eligibility for both programs, including a targeted support at homeowners between 30% and 50% AMI.

Household Size	Maximum Income for Homeowners Property Tax Exemption and the Pay as You Stay Program - Percent reduction in total property tax bill					Wayne County Area Median Income (AMI) 2024		
	100%	75%	50%	25%	10%	30% AMI	50% AMI	80% AMI

1	\$20,120	\$21,578	\$23,182	\$26,098	\$39,234	\$20,150	\$33,600	\$53,700
2	\$24,256	\$25,833	\$27,214	\$29,974	\$47,299	\$23,000	\$38,400	\$61,400
3	\$26,849	\$28,340	\$29,832	\$32,567	\$52,356	\$25,900	\$43,200	\$69,050
4	\$31,200	\$32,700	\$34,200	\$37,200	\$60,840	\$31,200	\$47,950	\$76,700
5	\$35,140	\$36,897	\$38,303	\$41,114	\$68,523	\$31,200	\$51,800	\$76,700

Property tax foreclosure is a main driver of housing instability and neighborhood decline in Detroit. These programs address the barrier of development financing by reducing the cost for low-income homeowners to remain in their homes. Additionally, the expanded income eligibility and added back tax forgiveness allows residents easier access to these programs, reducing policy and administrative barriers for residents. Measurable impacts include 15,997 PAYS approvals to date totaling \$5,879,074 of back taxes forgiven. 92% of Detroit census tracts contain HOPE exemptions and the annual approvals exceed 20,000 homeowners.

These exemptions lead to increased production and preservation by being specifically designed to preserve affordable housing for low-income homeowners in the city of Detroit. Property tax burden is a significant source of housing cost burden in Detroit. Additionally, by exempting prior years taxes, the PAYS program forgives debt that will result in tax foreclosure. Out of 9,969 Foreclosures Between 2014-2018, 6,848 or 69% have been demolished. These programs guard against this outcome and help sustain neighborhood market activity. The City estimates over 36,000 homeowners likely qualify for the HOPE program.

NEZ-Homestead - P.A. 147 of 1992

The Neighborhood Enterprise Zone (NEZ) Act, PA 147 of 1992, as amended, is a property tax abatement for owner occupants that reduces both the City of Detroit and the Wayne County property tax operating millage, resulting in a 15 to 20 percent savings on property taxes for homeowners. On June 15, 2021, City Council voted to accept the NEZ boundary modifications and newly established NEZ zones. The City updated the boundaries in 2021 to align with the City’s Targeted Multifamily Housing Areas, concentrated areas of low-moderate income homeownership, and neighborhoods with increasing price pressures for existing residents

The NEZ abatement addresses the barrier of development financing by reducing the cost for low- and moderate-income homeowners to remain in their homes. Property taxes contribute to

housing cost burden for homeowners across the city and are a barrier to mortgage financing for homebuyers. Existing homeowner face housing cost increases as neighborhood revitalization efforts have positive impacts on housing markets. Measurable impact thus far includes 6,000 NEZ approved certifications across all zones.

The 2021 NEZ-H boundary modifications were intentionally set to preserve affordable housing for low- and moderate-income residents that may experience price pressure due to market up filtering. Additionally, the abatement provides an incentive for the new production of owner-occupied housing within the NEZ boundaries.

Public Owned Vacant Lot Sales Policies

The City of Detroit owns a surplus of vacant residential property that was acquired from tax foreclosure. Historically, each sale of public property required City Council approval, whether it was a single property or a multi-parcel major development. Therefore, property sales of single public parcels stalled because buyers could not navigate the sales process.

The Detroit Land Bank Authority (DLBA) was created to make public property available for sale in order to promote homeownership, neighborhood revitalization and economic growth in Detroit. The DLBA cooperates with the departments of the city. The public parcel sale process improved under the DLBA management but originally limited the majority of sales to residents living adjacent to the public parcel. The requirement to live adjacent meant that for any public parcel only a maximum of six adjacent property owners qualified to purchase the property. The DLBA board approved an update to the residential parcel sales policy in March 2020. The policy expands eligibility to buy public parcels to the owner of a structure within 500 feet of the lot. For the typical residential parcel, the change increases the number of eligible buyers to seventy.

This ordinance addresses the barrier of publicly owned properties not seeing infill development. The change broadens purchaser eligibility for city owned land and allows stabilization or redevelopment activities to occur. Ultimately the city owns less public property, and more properties are owned by private actors that may redevelop the lots for new housing. The measurable impact thus far is 3,687 residential lots sold under the new policy since 2020.

This adopted policy leads to increased production and preservation of housing by allowing property owners to acquire parcels that can be redeveloped into new housing. Alternatively, activities that beautify and stabilize formerly public lots help to improve neighborhood conditions and the viability of current housing units. This policy has a large potential for preservation and production, over 24,000 vacant lots are currently for sale under this policy.

Annual Incremental Zoning Ordinance Text and Map Amendments

The Detroit Zoning Ordinance had its last major update in 2005; however, most of its regulations date back to 1968. On an annual basis, the City amends 1) the zoning text to provide clarity or to allow new policy and 2) the zoning maps to facilitate new development.

On an annual basis, the City rezones hundreds of parcels primarily to allow new development or correct zoning map errors/protect existing residential uses. Many of the map amendments are to

allow new multi-family development or mixed-use projects. In 2014 and 2018, the City conducted a major cleanup of the Zoning Ordinance of items that needed to be added or clarified. This included clarifying or relaxing setback and height standards for mixed-use development in mixed use and business zoning districts.

These approved amendments reduce the barrier of development policies by upzoning parcels for more intensive residential development. Upzoning allows developers to build more intensive housing by right and reduces uncertainty and risk.

Measurable impacts thus far include a 2023 rezoning of the historic and abandoned Higginbotham School building from R1 to R3 to allow 40 new residential units within the school and two new buildings adjacent to the school with 60 units. All units are reserved for tenants between 30% to 80% AMI. Another notable project is the Brooke on Bagley 4-story mixed use apartment building. In 2019, the City rezoned the land to a mixed-use zoning category. Flexible height and setback regulations allowed 78 units of housing with 16 affordable units.

These annual changes to zoning lead to increased production and preservation by allowing developers of affordable housing to have reduced setbacks and higher heights with less need to go to the board of zoning appeals.

Other recent policy changes, housing strategies, and new initiatives to increase housing supply or lower housing costs.

Zone Detroit

The current Detroit Zoning Ordinance is over 900 pages long and often amended and expanded on an annual basis to deal with new zoning issues. Much of the text is rooted in a comprehensive amendment from 1968. In 2005, there was a major reorganization of the chapters, but the text remained largely the same. In 2018, the Detroit City Planning Commission started a process to update the City's Zoning Ordinance referred to as *Zoned Detroit*. The overall purpose of this project is to recommend a revised Zoning Ordinance that is modern and easy to use, incorporates best practices in planning, consolidates similar subjects currently scattered throughout the Zoning Ordinance, and removes provisions and terms that are outdated or no longer necessary. One of the primary project values was to preserve and promote vibrant neighborhoods by encouraging and or incentivizing multiple housing types that support varying age, income and ability levels, providing buffering standards between residential and non-residential uses, and protecting and promoting affordable housing.

This program addresses the barrier of development policies. The measurable impact thus far includes a completed *Zone Detroit* document with many housing recommendations that inform proposed activities in this application. This program leads to the increased production of housing by starting the processes to make a comprehensive change to the Zoning Ordinance.

Project Plan Review Process Updates

In 2020 the City of Detroit modified the Preliminary Plan Review (PPR) process to improve support for developers seeking project approvals. The PPR is a new first step review bringing

together all city agencies required to approve a development. This forum allows the city to provide feedback and initial thoughts on the strength of a project early on in the development process and identify any potential barriers to approval including: ordinance interpretation, zoning requirements or appeals, site plan review, special land use hearings, and affordability. Additionally, the PPR provides developers with a clear point of contact for the project.

The PPR was created to help developers overcome barriers understanding the applicable requirements and development policies in the city. Developers can inquire about the feasibility of a project with investing in extensive pre development activities. The PPR only requires a general outline of the project but provides the developer with a road map to approval. The PPR leads to increased production and preservation of housing by reducing uncertainty and increasing the likelihood of approval.

Down Payment Assistance Program

The City of Detroit Down Payment Assistance Program is committed to creating affordable homeownership opportunities in Detroit. The program provides qualifying residents grants up to \$25,000 for down payment, prepaids including interest rate buy down, closing costs, and principal reduction in conjunction with purchasing a home using a purchase mortgage or a purchase renovation mortgage. All grant recipients must have household incomes of less than 300% of the national poverty level. The buyer must be the principal resident for at least three years after the grant is awarded or the grant must be repaid. Program participants complete home buyer education with a HUD certified housing counseling agency.

This program addresses the barrier first time homebuyers face obtaining mortgage financing. Buyers seeking affordable homeownership opportunities are often priced out of the market by investors seeking rental units. Additionally, Detroit renters who can afford the cost of homeownership lack the necessary down payment to get a loan. The measurable impact thus far includes 428 DPA Awards citywide totaling \$10,137,453 in assistance. The average monthly payment for principle, interest, taxes, and insurance is \$880 per month.

The City believes that vital urban neighborhoods have high homeownership rates. This program leads to the increased production of housing by growing the market of homeowners seeking homes affordable at 300% of area median income. Additionally, it helps homeowners compete against investors seeking to rent properties that otherwise offer affordable homeownership.

Affordable Housing Development Program

As part of the strategy to increase affordable housing production and preservation, the City expanded its direct investments into affordable housing beginning in 2018. The City began issuing a Notice of Funding Availability (NOFA) biannually, increasing the frequency and aligning with state Low Income Housing Tax Credit (LIHTC) funding cycles. The City also expanded the funding sources available through this NOFA. In addition to HOME and CDBG funds, the City established the Detroit Affordable Housing Development & Preservation Trust Fund and allocated CDBG-CV and ARPA funds. The City has also expanded eligible uses of

funds, including the introduction of a new pre-development activity to support emerging developers and innovative development types.

By increasing the regularity of NOFAs, expanding the funding sources available, and expanding eligible uses of funds, the City is addressing the barrier of development financing for affordable housing development. This activity directly increased the amount of new and preserved affordable rental housing in the City of Detroit. To date the City has released 24 NOFAs that have resulted in over \$1 billion of total investment that produced 4,646 affordable units, 85% of units affordable to households at or below 60% area median income.

Strategic Neighborhood Fund

The Strategic Neighborhood Fund (SNF) reinvests in Detroit neighborhoods through a public-private-philanthropic partnership that brings a suite of investment tools to each area. The goal is to concentrate investment to move tipping point neighborhoods to become resilient, vibrant, walkable neighborhoods that attract additional investment in people and place. Investment tools include gap financing for mixed use projects, streetscape investment, park improvements, and vacant home rehabilitation.

By expanding the funding sources available for development, the City is addressing the barrier of development financing for affordable housing development. Additionally, SNF investments are catalytic and produce opportunity neighborhoods that support thriving residents and attract market rate development.

This activity directly increased the amount of new and preserved affordable rental housing in the City of Detroit. To date, SNF has completed 29 projects across these 10 neighborhoods, with nearly 40 other active projects at various stages of construction, predevelopment, and design/planning. Completed projects include six parks/greenways, 10 streetscape segments, 10 commercial corridor developments/reactivations, two housing stabilization projects, and one mural program. SNF has leveraged \$35.6 million in outside investment, created 120 rental units (47% affordable at 50%-80% AMI) and 51,000 square feet of new commercial/retail space, rehabbed 42 single-family homes, and conducted nearly 500 engagement activities to ensure all SNF investments fit the culture of each community and meet resident needs. In addition, 70% of completed and active real estate projects funded by SNF are led by Detroit real estate developers of color or community development organizations based within the SNF neighborhoods.

Detroit Housing for the Future Fund

The City partnered with Local Initiatives Support Corporation (LISC) to develop a new privately funded affordable housing investment tool that would help developers bring more affordable housing to market quicker. The Detroit Housing for the Future Fund (DHFF) launched in late 2020 with an initial capitalization of \$58 million dollars including a combination of corporate/philanthropic grants, low interest loans, and a loan guarantee of \$10 million from the Kresge Foundation. DHFF is deployed in the form of low interest debt, preferred equity, and predevelopment grants.

By expanding the funding sources for development, the City is addressing the barrier of development financing for affordable housing. DHFF supports smaller residential projects that can be difficult to finance, buildings developed with this fund have an average of 32 units and include projects as small as 10 units. DHFF also addresses development policy barriers. Since DHFF is comprised of private investment, it allows developers to bypass lengthy public review and approval processes and more quickly move from predevelopment to project completion.

This activity directly increased the amount of new and preserved affordable rental housing in the City of Detroit. As of August 2023, DHFF has closed 13 deals, a total of \$27.3 million in investment to develop/preserve 420 units of affordable housing. The Fund has issued commitment letters for additional projects, fully allocating all \$58 million. The City and LISC are currently working with investors to recapitalize the fund.

Payment in Lieu of Taxes (PILOT)

Traditionally only available for federally subsidized housing, state law now allows a Payment in Lieu of Taxes (PILOT) for any housing that commits to 15 years of affordability up to 120% AMI. A PILOT supports affordable housing by tying a property's tax liability to rental revenue. Developers can commit to restrict units for affordable and/or workforce housing, invest \$15,000 per unit, achieve building code compliance pilot, and can receive a tax rate set off of rental rates. The City introduced a new PILOT ordinance September 2024 and expects to pass the ordinance before the end of the year. If approved, the PILOT will directly support the preservation and production of affordable housing by drastically reducing property tax liability for affordable housing.

The proposed PILOT addresses the barriers of development financing and development policies. It can be incredibly challenging to make housing projects work in Detroit, with numerous factors leading to high costs that create financial gaps. Market analysis consultants identified key factors constricting Detroit's housing supply: process delays and development financing (increasing construction cost, rising interest rates).

A. ii.

Priority Geography

All activities proposed in this application will serve the City of Detroit located in Wayne County, MI. Wayne County, Michigan is considered a priority geography according to the materials provided in connection with the PRO housing Notice of Funding Availability. It is noted in those materials that if the geography being served is a priority geography with either county or place data, it is a priority geography.

Do you have acute need for affordable housing?

The housing market in Detroit experienced extreme distress before, during, and after the Great Recession. Between 2006-2012, the average home value for owner occupied units in Detroit went from \$91,700 to \$39,100. Over that same time, the number of homes that became vacant increased by 25% resulting in an estimated 30% vacancy rate citywide. From 2000 to 2017, the

city experienced 160,000 combined mortgage and tax foreclosures. As a result, mortgage activity decreased to 203 purchase originations at the lowest point in 2012, and financing for home repairs became nearly non-existent due to a lack of equity in the market.

Since 2012, Detroit's housing market has shown signs rebound, average home sales on the Multi Listing Service (MLS) have increased from \$20,000 in 2010 to over \$100,000 in 2023. Additionally, the city saw 2,111 mortgage originations in 2020. However, Detroit residents still face housing instability including owner and renter cost burden, constrained affordable housing supply, and substandard condition housing.

Detroit residents are more likely to be housing cost burdened

According to the American Community Survey 2023, 59% of all Detroit households pay more than 30% of their income for housing and 21% of Detroit households pay more than 50% of their income for housing. These figures exceed the percent of cost burden households in Wayne County and the State of Michigan. 47% of Wayne County residents and 39% of Michigan residents pay more than 30% of their income for housing. And 16% of Wayne County residents and 12% of Michigan residents pay more than 50% of their income for housing.

The cost burden of Detroit homeowners is further illustrated by the low value of owner-occupied structures in comparison to Wayne County and the State of Michigan. The median value of Detroit's owner-occupied housing is \$86,400 compared to \$177,300 in Wayne County and \$236,100 in the State of Michigan.

Housing cost burden is especially present in Detroit's renter households. 81% of Detroit renter households pay more than 30% of their income for housing and 30% of Detroit renter households pay more than 50% of their income for housing. 74% of Wayne County renters and 69% of Michigan renters pay more than 30% of their income for housing. And 27% of Wayne County renters and 24% of Michigan renters pay more than 50% of their income for housing.

Detroit residents are more likely to have low incomes

According to the American Community Survey, 78% of all Detroit Households earn less than 80% AMI. 122,000 households in Detroit earn less than 30% AMI representing just under half of all Detroit households. Renters are more likely to be low income, 69% of Detroit's renter households make less than 30% AMI. Low-income families are more likely to be renters.

Higher percentages of black residents have low income compared to white residents. 81% of black residents make less than 80% AMI and 50% of black residents make less than 30% AMI. In comparison, 68% of white residents make less than 80% AMI and 40% of white residents make less than 30% AMI.

A Shrinking supply of affordable rental units has increased rents

Affordable housing production is not keeping pace with need and there is a supply gap for units affordable for Detroit residents. This supply gap includes 80% AMI units and is especially pronounced at lower income levels. The City of Detroit estimates a gap of 66,100 units for households at 30% AMI and a gap of 3,400 units for households at 50% AMI.

Census data shows a decline in total housing units in Detroit. While the MSA region's total housing stock experienced nominal changes between 2019 and 2021, Detroit saw a 5% reduction in the total number of housing units over that timeframe. The reduction in units comes from a loss of units affordable at or below 50% AMI. Detroit lost 32,800 rental units from 2016 to 2021 that were affordable to households making at or below 50% AMI. Over that same time period Detroit added 16,500 rental units affordable to incomes at or above 80% AMI. The loss of units at affordable rental rates is split between increased market up filter pressure of 16,500 units and a loss of 16,300 affordable units to structural obsolescence.

This shrinking supply of units is further illustrated by citywide rent increases. Citywide rental costs have increased rapidly from 2019 to 2021, outpacing the Detroit MSA rent increases. The City of Detroit experienced a 4.5% annual rent growth between 2019 and 2021 in comparison to the Detroit MSA at 4% annual growth. In prior years the City of Detroit has lagged the Detroit MSA in rent growth. From 2010 to 2019 the City of Detroit experienced a 1.1% annual rent growth in comparison to the Detroit MSA having 2% annual rent growth during that same time.

Detroit's housing stock is more likely to be substandard

Detroit has an aging housing stock that without adequate investment leaves renter and owners susceptible to unsafe housing conditions and rising maintenance costs. An average of 60 single-family repair permits are issued annually, covering far less than 1% of Detroit's occupied single-family housing stock. While not all investment in single-family housing is captured through conventional building permits, this metric still indicates how little investment is occurring to improve and maintain Detroit's aging housing stock.

Detroit houses often contain lead paint and plumbing hazards and can contain asbestos hazards. According to the 2023 American Community Survey, 91% of Detroit's housing units were built before 1980. This compares to 81% of housing units in Wayne County and 62% of housing units in the State of Michigan built before 1980. Lead hazards are more prevalent in housing units built before 1940. 36% of Detroit's housing stock was built in 1939 or earlier compared to 21% of housing units in Wayne County and 15% of housing units in the State of Michigan.

Additionally, due to the large square footage of Detroit homes, outdated HVAC systems, and inefficient weatherization techniques, 50% of Detroit Residents spend more than 10% of their income on utility bills, the standard set by the Environmental Protection Agency as affordable.

Structural disrepair is also common among Detroit's older housing stock, particularly for properties currently occupied by lower-income residents. Common rehab needs include rehab to roofs, windows, gutters, walls and flooring. The City of Detroit estimates that 32% of occupied single family homes by households under 80% AMI likely require roof rehab.

Similarly, lower-income households living in older properties are more likely to face inadequate heating, plumbing, and electrical systems. In some cases, without proper systems, homeowners and renters forgo utilities to meet their basic needs. The City of Detroit estimates that 53% of occupied single family homes by households under 80% AMI likely require plumbing repairs, 51% likely require heating repairs, 48% likely require electrical repairs. HRD estimates that the

median repair cost for occupied single family households making less than 80% AMI is \$34,600 not including lead abatement. An estimated 116,000 single-family households making under 80% AMI per year require rehab. The majority face rehab costs greater than \$30K.

Detroit's rental properties are likely to be substandard. 90% of rental properties in the City of Detroit are not in compliance with rental property code. Over the last 60 years Detroit has seen a 73% decline in two family structures and a 69% decline in three and four unit structures. Small multifamily structures have 2% compliance rate with rental codes compared to 10% citywide.

A. iii What key barriers still exist and need to be addressed to produce and preserve more affordable housing?

While much progress has been made, a set of barriers remain. Internal research, consultant engagements, and developer interviews provide insight on the regulatory, financial, and publicly owned vacant land barriers that restrict housing development, affordability, and neighborhood stability overall. In 2023 the City of Detroit conducted interviews with 25 developers, lenders, and city officials to identify barriers to housing development.

City regulations, approval processes, and land use controls limit new housing development.

City of Detroit policies bring uncertainty and risk into the development process. This uncertainty limits the number of proposed housing developments in the city and increases development costs. The City of Detroit has examined the development life cycle to identify opportunities for process streamlining. The key barriers identified by all stakeholders were lack of clear development processes, the length of processes due to multiple reviews, and required zoning variances. Overall, Detroit depends too heavily on process, not standards, to control development. The City relies on a complicated system of planned developments, overlays, special districts, rezonings, Board of Zoning Appeals (BZA) hearings, City Planning Commission (CPC) hearings, and ultimately the City Council, to approve developments on a case-by-case basis. Barriers in this category include:

Restrictive Zoning (Key Barrier) Rigid zoning laws make affordable housing harder to build. Additionally, the City Council does not trust that the zoning ordinance will generate desired outcomes, so it often uses review processes to achieve desired goals and outcomes. The current Detroit Zoning Ordinance underwent a complete overhaul beginning in 1997, resulting in the adoption of a new ordinance in 2005. However, the 2005 Zoning Ordinance kept suburban standards for R1 single family housing largely from the 1940s, 1950s, and 1960s. That R1 zoning interacts with lot sizes, setback requirements, and uses to make new construction often unfeasible by a matter of right. It does not easily allow for mixed use development, walkable urban design, or higher density housing, and is out of sync with the community. Housing developments typically and predictably need to receive zoning variances from the Zoning Board of Appeals. A new, more contemporary Zoning Ordinance is needed, one that will help protect the things valued about Detroit, while allowing for the kinds of development patterns that will serve Detroit well in the future. The result of the outdated zoning code is the majority of housing developments require some exception to the current zoning code to be built or produces lower density suburban style development with lots of parking.

Lack of Clear Process (Key Barrier) Developers don't have a clear development process to follow or anyone to guide them, leading to confusion as there are multiple ways to enter the development process. Projects stall in the process because of administrative inefficiencies that disproportionately burden smaller, lower-capacity developers. There is no standard development process, alongside little interdepartmental communication which leaves developers to navigate different agencies by themselves. Process confusion causes delay in development timelines. The typical development timeline for housing projects, particularly the permitting process, is long due to multiple reviewers. Consolidating approvals or allowing administrative approval for projects that meet specific thresholds could shorten timeline. These processes include miscommunication between the City and State regarding a project's affordability targets and financing needs, leaving the developers to play intermediaries. This challenge extends to the environmental review process. Developers indicate that the environmental review process is time-consuming and financially draining due to the challenge of balancing City and State requirements.

City Council adds additional requirements based on residents' complaints that may not be well-informed and often costly. This highlights Detroit's challenge with various types of nimbyism. The current processes empower nimbyism because each exception provides opportunity to challenge the development. For housing, these restrictions give opposing community groups a venue to oppose new higher density housing which could include affordable units.

Housing Developers have difficulty accessing financing, especially smaller developers and minority developers.

The City has successfully created a set of financial tools that produce affordable housing developments. However, those developments are geographically concentrated near downtown districts and are built by a small number of developers. The majority of Detroit's neighborhoods contain smaller multifamily housing stock of 2-8 units. These types of projects are important units of regulated and naturally occurring affordable housing but are not competitive for the City's financial tools. The key barriers identified by all stakeholders are lack of funding for smaller projects and lack of pre-development resources. Barriers in this category include:

Smaller housing developments cannot access financing. (Key Barrier) The average project size of affordable housing developments subsidized by the City of Detroit is 41 units, demonstrating that development primarily occurs in larger multifamily and mixed-use development typologies. Additionally, a relatively small number of housing developers are able to successfully pursue large scale housing developments in Detroit. While large housing developments are important, local financing barriers persist for smaller, missing middle housing typologies and small developers. This leaves gaps in the range of affordable housing options including: three plus bedroom housing to meet the needs of families are not developed due to the challenges of incorporating these into large multifamily developments, neighborhoods without available vacant development parcels of a scale to support larger multifamily development do not see needed housing development, sites without adequate infrastructure to support large scale multifamily development do not see needed housing development, neighborhoods without precedent for large multifamily developments may resist large scale housing developments, and the city misses

opportunities to create affordable housing in the existing small building stock. Stakeholders suggest the City could have greater impact with funds by focusing on rehabbing more vacant duplexes and quads —preexisting housing that has broader market appeal — than developing large scale multifamily and mixed use projects in neighborhoods not prepared to absorb them. The City’s research indicates that larger families tend to live in small multifamily housing instead of large multifamily housing

Funding for pre development activities is not adequate. (Key Barrier) Most developers in Detroit struggle with insufficient resources and lack of public funding for pre-development. The City acknowledges the limited funding available to assist developers in pre-development activities. High infrastructure upgrade costs for housing development include aging or neglected infrastructure, alleyway reconstruction, street and sidewalk reconstruction, and water and sewer connections. Environmental reports and architectural work are common costs incurred early in the pre development process. Additionally, the City’s stormwater ordinance imposes significant costs on developers, particularly smaller developers who work with limited funds and smaller plots, making it challenging to break even. With ARPA funds reaching their limits, the City is not able to subsidize predevelopment activities adequately and must think creatively about policy and process levers alongside funding from other sources. These high-cost infrastructure improvements pose a risk for developers without certainty of zoning approvals necessary.

It is a challenge to produce units for families and extremely low-income households. Developers note that they struggle with unserviceable financing gaps for projects with units for larger households and/or those targeted to 30% AMI households. Meeting the 30% AMI gap is challenging because these units can’t support debt. The few developers who have met this gap have done so through Section 8 or by providing rental subsidy sourced from foundation funding activities.

Construction and labor cost increases make it difficult to develop affordable housing. The City’s affordable housing developers described facing considerable market, financing, and process challenges in the post-COVID landscape. Developers struggle to find skilled local labor which leads them to hire external labor. Construction costs are increasingly expensive due to drivers such as environmental remediation, higher labor costs, and the lengthy permitting and review process. Additionally, the City faces difficulty securing funds to subsidize escalated post-COVID construction and material costs.

Public land ownership throughout the city is not attracting new housing production.

Much progress has been made on selling city-owned structures and land. However, new housing development on publicly owned vacant land remains a challenge. The key barriers identified by all stakeholders are lots that require variances to be built and timelines for purchasing city land.

City-owned vacant land requires variances to allow infill housing development (Key Barrier) Vacant land throughout the city is not seeing new construction activity and developers note it is especially hard to develop smaller multifamily or single family residential developments on infill lots left after demolition activities are complete. Much of the reason for limited infill activity is because city zoning standards do not allow new structures to be easily built on a single lot. For

example, City of Detroit research indicates that for vacant lots zoned R2 – Two Family, a duplex property cannot legally be built on a traditional single lot. This is also the case for vacant lots Zoned R3 – Three Family, a duplex or triplex cannot legally be built on a single lot.

Timelines and approvals required to purchase city-owned land are long and complicated by other city processes. The purchase of city-owned properties takes between 80 days and 1 year. Most affordable housing projects will trigger additional reviews due to the required subsidy. While there could be some modest gains from shortening some City and DLBA review processes, the complexity and elongated processes do not come from the disposition process alone. Other City development-related process are complicated by the inclusion of city owned land in a housing development (e.g., preliminary plan review, concept review, special land use, site plan review). An additional barrier is the quiet title process. A developer's inability to rapidly determine where they are in the process, what step is next, what they need to prepare for that step, and how long the remaining process will take incur added time/cost to prepare sites for development (e.g., acquisition from both City and DLBA, parcel combination, rezoning, etc.)

Developers note an unnecessary friction to identify which properties are for sale and by what entity and need to rely on multiple sources that are not highly visible. Developers also note the low utilization of sales price discounting to reduce affordability development gap and a lower emphasis on priority for affordable housing via marketed property sales.

EXHIBIT D SOUNDNESS OF APPROACH

1. What is your vision?

Proposed activities promote a vision of building more affordable housing in the City of Detroit. Activities proposed in this application reduce financial and regulatory barriers that restrict affordable housing production and preservation in Detroit. These activities benefit majority low and moderate population households. The city is including four activities for PRO housing funding that address key barriers to the production of housing.

1. **Zoning Update** - Complete an update to the City's Zoning Ordinance to accommodate and encourage increased production and preservation of affordable housing
2. **Small Buildings NOFA** - Create a Small Buildings Notice of Funding Availability (NOFA) to incentivize 2-8 unit buildings to preserve and produce affordable housing
3. **Pre Development NOFA** - Expand a Pre Development Notice of Funding Availability (NOFA) to support site readiness for affordable housing developments
4. **Pre Permitted Housing** - Incentivize infill housing production on publicly owned land by creating residential housing plans that are pre-approved by the City of Detroit and can be built with expedited site plan review and permitting

1. Complete an update to the City's Zoning Ordinance to accommodate and encourage increased production and preservation of affordable housing

For this activity, the Housing and Revitalization Department and the City of Detroit Planning Commission will procure a consultant or consultant team to update the City of Detroit Zoning Ordinance in line with the recommendations from a 2018 preliminary analysis called Zone Detroit. Updates are focused on expanding affordable and market rate housing opportunities and reducing code barriers that limit new development.

In 2018, Detroit took the first steps to complete a comprehensive update of its zoning ordinance referred to as Zone Detroit. Zone Detroit was completed, but still much work needs to be done to finish the zoning code update, have it approved by elected officials and implemented. Additional work is needed to further advance and audit the draft updates to make sure it aligns with the City's current update to the Master Plan and addresses barriers to equitable development and affordable housing. Work is also needed to make sure the zoning updates align with federal and state zoning laws, and to conduct extensive outreach and consensus building with stakeholders, commissions, developers, elected officials and the community at large. The successful respondent is expected to perform tasks regarding the update of the City's zoning ordinance listed below.

- Audit Zone Detroit recommendations to ensure they adequately address city housing development goals, including missing middle housing, home occupations, infill development, accessory dwelling units, parking minimums, and opportunity districts
- Conduct analysis, coordination, and reconciliation with Master Plan amendments
- Update the recommended zoning changes based the audit findings
- Update the zoning text and map in line with recommended zoning changes

- Test the recommended zoning changes on example developments
- Conduct a legal review of recommended zoning changes
- Conduct stakeholder engagement of Interdepartmental Working Group, Zoning Advisory Group, public at large, City Planning Commission and City Council

The City Planning Commission (CPC) has the capacity and expertise to develop this type of activity. The project is supported by the Director and 4 staff planners. CPC completed the Zone Detroit effort that was similar in contract size and scope to the proposed activity. Tasks that CPC is confident supporting include consultant management, stakeholder engagement, and internal alignment. CPC is well suited to conduct zoning updates and are informed subject matter experts in this field. CPC makes yearly updates to the zoning code and map that allow for higher density residential housing. CPC is very familiar with the city council and public engagement process and approaches this work with experience gaining stakeholder consensus. The Housing and Revitalization Department (HRD) has the capacity and expertise to lead this activity and advise specifically on zoning implications to regulated and naturally occurring affordable housing. The Public Private Partnership Division and the Policy and Implementation Division work with developers and development policies regularly and can advise on best practices for increasing the production of affordable housing.

This activity addresses the barrier of City regulations, approval processes, and land use controls limit new housing development. Detroit has an acute need for affordable housing however, there exists key land use policy barriers to creating more affordable housing. Some of the specific zoning reforms to make it easier to build more housing include the following:

- Improve the zoning ordinance review and approval process; as stated by the Zone Detroit consultant's assessment of the current ordinance: "The Zoning Ordinance is too long and too repetitive - 882 pages in the latest version - and it is difficult to read and understand. The Zoning Ordinance has too many confusing layers of unnecessary regulations, and many of the existing provisions are outdated and in need of a rethink." This makes most new development very challenging.
- Modernize and reorganize the zoning ordinance so that it clearly broadcasts the city's desire and intent to increasing housing production; include more graphics and streamlined text.
- Modify stringent setback, lot size, height and other barriers to development that are often waived by the Board of Zoning Appeals (BZA)
- Create recommended changes to streamline affordable housing development.
- The current Zone Detroit draft is proposing the following to increase densities and thus the supply of housing: For single-family R1 districts - proposed one unit plus an allowable Accessory Dwelling Unit (ADU) versus the current standard that requires no more than one unit per zoning lot, For two-family R2 - proposed 4 units by right and 12 units conditional versus the current 2 units by right and 8 units conditional per zoning lot).
- The Zone Detroit draft is proposing a comprehensive revision of current parking requirements which can add a significant cost to new development especially infill missing middle housing. This includes eliminating parking in parts of the city adjacent to downtown that already have higher densities and are more walkable with nearby transit.

There is also needed a comprehensive analysis and recommendation of the relationship between the City's official zoning map and proposed new zoning categories and the City's current effort to update the City's Master Plan, as well as current and proposed high frequency transit corridors.

The proposed activities address the key regulatory barriers that limit housing production, increase developer risk, and rely on time consuming approval processes. The requested funding will result in a codified zoning code that is informed by developer feedback on zoning barriers to increased housing production. The zoning code as in use today requires developers to seek special approvals to build residential housing. 20% of city supported affordable housing developments seek a Planned Development (PD) designation that acts as a variance and the majority of new projects not using the PD designation require some form of variance. Once implemented, the zoning code will provide by right approvals for housing development.

The City of Detroit has a number of similar efforts that inform the proposed activity. Most importantly, the City Planning Commission led the 2018 Zone Detroit process. This project was a prerequisite for a full zoning ordinance update. Successful elements of these programs include: A finalized Zone Detroit Report that prioritizes new housing construction, reduced regulations, and streamlined approvals and the Zone Detroit successfully engaged stakeholders throughout the process. Elements of these programs that were not successful include: Zone Detroit was not successful in codifying the updates to the city zoning code. The project was under funded to complete the necessary testing, legal review, and council approval. Funding requested for this activity will allow for the changes to be codified.

The main roadblock is opposition from city staff, established neighborhoods or elected officials that may not like change. To counteract that opposition the proposed comprehensive zoning changes with the plan of increasing affordable housing need to be tested and then community stakeholders and elected officials educated with the hopes of achieving consensus and buy in.

2. Create a Small Buildings Notice of Funding Availability to incentive 2-8 unit building preservation and production

For this activity, the City of Detroit Housing and Revitalization Department (HRD) will expand the Affordable Housing Development Program Notice of Funding Availability (NOFA) to include a new funding set aside and simplified application process for small building developments of 2-8 residential units. The NOFA provides local and federal funds for the development of affordable housing. In addition to funding, HRD will provide developers technical assistance including financial pro forma review, review of construction estimates, and permitting considerations. HRD will manage a procurement process to identify a contractor to provide all technical assistance services and coordinate with City departments. The projects funded through this NOFA will receive CDBG funds in addition to the PRO Housing funds. HRD will dedicate \$1,250,000 of CDBG funds to this process as a match to the requested amount of PRO housing funds for this activity. Terms for funding are tailored to small buildings including 0% interest forgivable loans or grants.

HRD's current Affordable Housing Development Program NOFA attracts seasoned developers that are also seeking state Low Income Housing Tax Credits (LIHTC) for the proposed development. These types of developments are dissimilar from smaller projects that are not seeking LIHTC funding, have a smaller total unit count, and are produced by developers that are less familiar with City affordable housing development policies.

The Housing and Revitalization Department has the capacity to develop this type of activity, has policies and procures in place to manage the NOFA process and dedicated housing underwriting staff. The City has released NOFAs in this category biannually since 2014 resulting in over \$1 billion of total investment in affordable housing. HRD Divisions that will support this NOFA include the Public-Private Partnership (P3) Division and the Housing Underwriting (HU) Division. The mission of the HU Division is to finance, underwrite, and administer housing and community investments. The mission of the P3 Division is to connect private developers to public financing instruments, entitlements approvals, and publicly-owned property to further the development of transformational quality mixed-use, mixed-income housing in Detroit.

This activity addresses the key barrier of development financing for small and mid sized housing developments in the City of Detroit. The City of Detroit has identified that smaller residential developments have difficulty accessing financing. The proposed activity addresses that barrier by developing a specific process for developments of 2-8 units to receive City affordable housing subsidy. A second key barrier addresses is City regulations, approval processes, and land use controls limit new housing development. This activity includes funding for developer technical assistance and process simplification for the target audience.

These barriers are highlighted by data points tracked by the City of Detroit. The average project size of City subsidized affordable housing developments is 41 units. This statistic demonstrates that development primarily occurs in larger multifamily and mixed-use development typologies. Only 8% of affordable housing developments supported by the current Affordable Housing Development Program NOFA are of 2-8 units, while 24% of city tracked market rate housing developments are 2-8 units.

Funding made available under the Small Building NOFA provides direct investment into affordable housing developments of 2-8 units. These projects have difficulty obtaining financing. Developers of these projects have less familiarity with Affordable housing financing and require a process that includes more technical assistance.

The policies that regulate the current NOFA are specifically timed to work with the LIHTC award cycle. Small residential projects that are the focus of this activity are subject to project delay even though they are not seeking LIHTC funding.

The requested funding will result in six NOFAs for small buildings receiving city investment and create a competitive process that allows projects of similar size to be compared. This differs from the current NOFA process where residential developments of all unit sizes compete for the same funding. HRD expects to attract a greater number of small developers.

The City of Detroit has a number of similar efforts that inform the proposed activity. Most importantly, the City of Detroit has released NOFAs biannually since 2014 resulting in over \$1 billion of total investment in affordable housing. The majority of projects funded under those NOFAs supported larger unit developments of 41 units on average. However, 8% of supported developments are 8 or fewer units. This experience does indicate a history of the City of Detroit successfully working with smaller buildings in the current NOFA process. Lessons learned over the past 10 years of NOFAs will be applied to the proposed activity. Those lessons include providing the optimal staffing structure for award and monitoring, ensuring the required content is included in the application, and proving clear and fair scoring criteria. Support from the Housing Underwriting Division and the Public and Private Partnership Division are well positioned to provide the optimal staffing structure for this activity.

While the city's NOFA process has been successful in attracting a limited number of 2-8 unit residential buildings, the complexity of the NOFA process has limited the number of smaller projects seeking city funds. The notable difference in the proposed activity is a direct focus on buildings with 2-8 units. Specific parts of the current NOFA effort that did not succeed are:

- Long and complex NOFA document - The current NOFA is just over 100 pages including extensive information on all aspects of the City's affordable housing policies. This information is important but acts as a barrier to developers of small buildings that are seeing these policies for the first time. To avoid this pitfall, the proposed activity includes a NOFA document tailored to small buildings. A more approachable document that uses simplified language and is shorter in length will improve targeting to small buildings.
- Different size projects compete - The current NOFA lumps all projects together and uses one set of scoring criteria to rank projects. Scoring related to developer capacity, contractor capacity, financial leverage, and city approvals already in place benefit developers of larger projects. To avoid this pitfall, the proposed activity includes a new set of scoring criteria. A new scoring criteria used exclusively for small buildings will improve successful outcomes.
- Current NOFA aligns with LIHTC timelines – Projects funded under the proposed activity are not seeking state LIHTC as an additional funding source. The current NOFA's timing synchronization with LIHTC awards is not applicable to small buildings and causes costly delays for developers of small projects. To avoid this pitfall, the proposed activity will not prioritize this timing synchronization.

Additionally, the proposed activity is informed by two City of Detroit pilot programs with American Recovery Plan Act (APRA) funds. The Second Floor Apartment Program and the Duplex Repair Program were specifically targeted at producing rental units in small multifamily buildings. Both programs offered grant funding of \$10,000-15,000 per unit for the production or preservation of Affordable housing units at 80% ami and 60% ami respectively. The Second Floor Apartment Program has an average project size of 3 units unit resulted in 33 units of affordable housing development at 80% AMI. The Duplex program only funds properties with 2 or 3 residential units and resulted in 23 unit of affordable housing development at 60% AMI. Successful elements of these programs include:

- Demand – Both pilot programs were successful in attracting a combined 780 applicants.

- High leverage – Both pilot programs saw developer investment along side of grant funds
- Technical assistance partnership – Both programs provide developers technical assistance.

Elements of these programs that were not successful include:

- Flat rate subsidy does not respond to the complexity of housing development – As designed the pilot programs provided a flat rate of subsidy based on number of units. This program design element does not take building condition flexibility into account. The proposed activity will avoid this pitfall by not using a flat rate.
- Reimbursement model can be difficult for small investors - As designed the pilot programs reimbursed developers for eligible costs once a project was completed. This creates a barrier for small developers who may not have the ability to pay for upfront costs. The proposed activity will avoid this pitfall by not using a reimbursement model.
- Not enough technical assistance was provided – Both pilot programs included technical assistance, but some developers require additional support to get projects completed. To avoid that pitfall, the proposed activity will fund additional technical assistance services.

The most likely obstacle this activity will face is developer inexperience. To counteract that obstacle the proposed activity includes a budget set aside for technical assistance to be provided to developers. This benefit is in conjunction with the support of the Public Private Partnership Division (P3). P3 staff members are knowledgeable about city processes and guide developers. The P3 division will also manage the technical assistance contractor.

3. Expand Pre Development Notice of Funding Availability to support site readiness for affordable housing developments

For this activity, the City of Detroit Housing and Revitalization Department (HRD) will expand the Pre Development Notice of Funding Availability (NOFA) to include a new funding set aside and unique application process that better aligns with pre development needs. The NOFA provides local and federal funds for pre development activities. Projects funded through this NOFA will receive CDBG funds in addition to PRO Housing funds. The Housing and Revitalization Department will dedicate \$1,250,000 of CDBG funds to this process as a match to the requested amount of PRO Housing funds for this activity.

The current Pre Development NOFA is undersized given the need of the City of Detroit. Common issues include updates to city infrastructure, undersized utilities, old service lines, alley reconstruction, environmental remediation, clean title, architecture, and competing infrastructure issues across multiple city departments. Additionally, the current pre development NOFA is limited in effectiveness because pre development work involves risk and the result may be that projects do not get built. Under the current funding structure, CDBG funds must result in the creation of an affordable housing unit. Pre development activities that do not result in the production of affordable housing must be paid back. This pay back risk requires HRD underwriting for pre development to be strict. This strict underwriting is a mismatch for risky pre development activities and has resulted in few pre development awards made.

The proposed activity will utilize PRO housing funds to add needed flexibility if units are not built. PRO housing funds can be forgiving under certain scenarios and will allow underwriting standards to be lessened. Pre development investments will be structured as a loan that gets paid back at the closing of construction financing or forgiven if the project doesn't materialize. Matching CDBG dollars can be used in place of PRO housing funds once a project is certain to be developed. Under the current CDBG funding structure for pre development, underwriting standards do not allow developments reach this decision point.

HRD has the capacity to develop this type of activity, has policies and procures in place to manage the NOFA process and dedicated housing underwriting staff. The City has released NOFAs in this category biannually since 2014. HRD Divisions that will support this NOFA include the Public-Private Partnership (P3) Division and the Housing Underwriting (HU) Division.

This activity addresses the key barrier of development financing for small and mid sized housing developments in the City of Detroit. Pre development funding is needed to reduce risks preparing sites for affordable housing development. A second key barrier addressed is City regulations, approval processes, and land use controls limit new housing development. This activity includes utilizing the PRO Housing funding for expanded forgiveness abilities if the project does not get built.

These barriers are highlighted by data points tracked by the City of Detroit. The City has seen limited success in making a pre development award from the current NOFA. This statistic demonstrates the difficulty projects face utilizing funding under the current program structure.

Funding made available under the Pre Development NOFA provides direct investment into affordable housing developments. The policies that regulate the current NOFA are mismatched for pre development activities because of the inability to forgive funds if a project is not built.

The requested funding will result in six NOFAs for pre development activities and create a new process that utilizes PRO housing funding to build in forgiveness if a project does not get built. This differs from the current NOFA process that utilizes CDBG funding that cannot be forgiven. HRD expects to attract a greater number of pre development projects to be approved for funding through the proposed activity.

The City of Detroit has a number of similar efforts that inform the proposed activity. The City of Detroit has released pre development NOFAs biannually since 2014. The majority of projects are not funded under that NOFA. This experience will be applied to the proposed activity. Those lessons include the need for funding forgiveness. Support from the Housing Underwriting Division and the Public and Private Partnership Division are well positioned to provide the optimal staffing structure for this activity. While the city's NOFA process has not been successful in funding pre development activities. The notable difference in the proposed activity is a utilization of PRO housing funds to allow forgiveness if the project does not get built.

The most likely obstacle this activity will face is developments not able to close on construction financing and move from pre development into development. To counteract that obstacle the

proposed activity utilizes the PRO housing funds to limit risk. If the project does not result in the creation of affordable housing units, the PRO housing funding can be forgiven. This benefit is in conjunction with the support of the Public Private Partnership Division (P3). P3 staff members work with developers to identify pre development activities that are a good fit for funding.

4. Incentivize infill development on publicly owned land by creating residential housing plans that are pre-approved by the City of Detroit and can be built with expedited site plan review and permitting

For this activity, HRD will hire a consultant to produce a set of architectural plans for 1-4 unit residential housing that are development ready. The consultant will work with relevant departments to gain a pre approval status for these buildings, allowing expedited approval process and reductions in development soft costs. HRD will manage a procurement process to identify a contractor and coordinate with City departments.

The engagement includes a needs analysis, research on current impediments to pre approved housing plans, and redevelopment scenario concepts and maps incorporating economic and demographic data and trends. The selected consultant must work with concurrent updates to the zoning code to ensure consistency. The consultant must create multiple architectural plans that can be used as intended.

HRD has the capacity to develop this type of activity and has managed projects of similar size and scope. HRD Divisions that will support this activity include the Public-Private Partnership (P3) Division and Policy and Implementation Division. The mission of the P3 Division is to connect private developers to public financing instruments, entitlements approvals, and publicly-owned property to further the development of transformational quality mixed-use, mixed-income housing in Detroit. The mission of the Policy and Implementation Division is support the department with sound housing policy analysis and recommendations

This activity addresses the barrier of publicly owned land not seeing development activity and to reducing development policies that act as barrier for new infill housing production. Publicly owned land is prevalent throughout the city and has seen little to no infill development on vacant residential parcels. A second key barrier addressed is City regulations, approval processes, and land use controls limit new housing development. This activity includes funding for the pre approval of housing plans to simplify and shorten the approval processes.

These barriers are highlighted by data points tracked by the City of Detroit. The average project size of City subsidized affordable housing developments is 41 units. This statistic demonstrates that development primarily occurs in larger multifamily and mixed-use development typologies. Only 3 affordable housing developments supported by the current Affordable Housing Development Program NOFA are of 1-4 units since 2014, the common size of residential infill developments. Only 9 market rate developments tracked by the City of Detroit are of 1-4 units. Additionally, from 2018 to 2024 the city of Detroit has only seen 100 new residential developments of 1 or 2 units. Over that same time period the city of Detroit has seen 5,912 units of multifamily housing developed.

Detroit's Public land holdings total over 80,000 vacant parcels. Those parcels are hard to build on as a matter of right due to land use polices regulating the buildable area in the from of setback requirements. As one Local developer noted: it's more cost effective to fix up even a dilapidated house than it is to build new, in part because zoning regulation has changed over the years, and new construction often requires more than one lot. The proposed activity will address code and approval barriers that limit the ability to build infill housing.

The majority of Detroit's residential building typology is single family or small multifamily structures under 4 units. However, few units of this size are built today. The requested funding will result in pre approved residential infill housing plans that can be built with few additional approvals. This differs from the current approval process where residential developments of 1-4 units have little chance of being approved without extensive variances. These regulatory barriers are out of sync with developer capacity for residential projects of this size. HRD expects to attract a greater number of small developers through the proposed activity.

This activity has not been tested by the city of Detroit. However, Detroit is the national leader in the number of publicly owned vacant lots. Demolition activity to remove negative externalities has been an important step to preserving neighborhood housing values. However, Detroit must create innovative ways for vacant lots to be reused. Infill development in legacy cities take advantage of existing infrastructure and helps improve tax collections to cover the cost of services. Based on these factors, Detroit is well positioned to test this strategy.

The City of Deroit looks to a similar project in Kalamazoo, MI where local government approved a set of infill development plans for new housing. 48 units have been developed with Kalamazoo's pre-permitted housing plans including duplexes and small single family homes. Local zoning barriers made infill development more difficult to execute profitably, including a minimum lot size of 60 feet wide that effectively rendered 67% of the publicly owned lots unbuildable without variance. The city commissioned a portfolio of housing plans that could be build by right. Lessons from Kalamazoo worth noting include testing and refinement of the proposed plans to ensure there are no unexpected development costs based on design such as long utility runs or parking issues. Additionally, Kalamazoo recommends building some units in conjunction with public subsidy to showcase the model to private developers.

This effort may face similar roadblocks as changes to the zoning ordinance. Pre permitted housing plans may see some opposition from residents, city staff, established neighborhoods or elected officials that may not like change. To counteract that opposition the proposed activity includes dedicated design work to ensure housing plans are informed by exisiting styles.

The planning activities included in this proposal meet the definition laid out in 24 CFR 570.205 ("Eligible planning, urban environmental design and policy-planning-management-capacity building activities): "Planning activities which consist of all costs of data gathering, studies, analysis, and preparation of plans and the identification of actions that will implement such plans." These activities are considered to meet a CDBG national objective under the requirements of 24 CFR 570.208(d)(4). Any proposed pilot programs will meet one of the

following national objectives: the Low- and Moderate-Income (Low/Mod) Area Benefit, Low/Mod Clientele, or Low/Mod Housing. The timeframe of the expected benefit is 2025-2030

The proposed activities including properties acquired or rehabilitated through the proposed NOFA are subject to the Uniform Relocation Act (URA). For any occupied property, the City must approve a Tenant Retention Plan prior a Conditional Award being issued for the project that demonstrates how the project will prevent displacement of existing residents, including the plan for any temporary relocation. This plan must comply with the City's Tenant Retention Standards, Tenants of occupied properties receiving City funds through this NOFA cannot be required to permanently relocate without a written exemption granted by the City. Occupied or recently vacated properties in which occupants have been subject to mass evictions, non-renewals, rent increases or other displacement-triggering events resulting in high vacancy may be disqualified from funding through the proposed NOFA.

Proposed activities align with or advance local efforts to remove regulatory, procedural, and land use barriers to housing production and preservation. NOFA activities align with current efforts to augment the City of Detroit Zoning ordinance. 20% of all City supported affordable housing developments seek a Planned Development (PD) designation that acts as a variance to the current zoning. Efforts to amend the zoning code will reduce this need and the regulatory steps required to utilize the PD designation. HRD generally scores projects more favorably if zoning variances are not required. Efforts to amend the zoning code will reduce the need for City supported affordable housing to seek zoning variances.

These activities align with the revised Detroit Rental Ordinance. All units under this activity must meet rental codes and can take advantage of all streamlined regulatory requirements by substituting other governmental inspections.

All proposed activities in this application are complimentary to existing planning initiatives. This includes alignment with a concurrent update to the City of Detroit Master Plan. That update includes considerations for population growth, job and transportation access, housing demand, and land use considerations when adjacent to other municipalities. Some of the proposed activities in this application include a budget line item for this coordination.

The proposed activities align with the City's Targeted Multifamily Housing Areas to prioritize investments to create walkable, urban nodes that provide services, transit, and access to employment, and strategies to preserve affordable housing units. Proposed activities in this application targets development in these strategy areas.

The proposed activities align with the Detroit Sustainability Action Agenda goal to reduce the cost of housing. The proposed activities seek to reduce barriers that drive up the cost of residential development.

This proposed activity aligns with the Office of Disability Affairs Strategic Plan objective to increase accessible housing. The proposed activities seek to reduce barriers to build housing for all residents including those residents with disabilities and seniors.

The most significant environmental risk is lead hazards related to deteriorated structures, deferred maintenance, and old plumbing. Most small buildings in the City of Detroit are built before 1978 and likely contain lead based paint hazards. This proposal promotes community resilience by providing needed investment into small multifamily buildings that are likely to be built before 1940 and have the greatest risk of lead hazards.

Climate change is a significant environmental risk for the city of Detroit. This proposal promotes community resilience by prioritizing green building initiatives by awarding up to 3 NOFA points if a development incorporates measures to improve energy efficiency and sustainability.

2. What is Your Geographic Scope?

The geographic scope for the proposed activities is the entire city of Detroit. The City of Detroit has designated 10 areas as strategic neighborhoods. These areas include high opportunity neighborhoods and underserved communities within those areas have completed planning studies. The city has layered Targeted Multifamily Housing Areas over the Strategic Neighborhoods, making those neighborhoods eligible for affordable housing subsidy. Proposed activities in this application target development in these strategy areas and align with the City's Targeted Multifamily Housing areas. Investments prioritize the creation of walkable, urban nodes that provide services, transit, and access to employment, and strategies to preserve affordable housing units. Additionally, CDBG eligible census tracts and Racially/Ethnicity Concentrated Areas of poverty will serve as inputs to guide investment.

3. Who are your key stakeholders? How are you engaging them?

Local developers, lenders, and philanthropic entities informed all the barriers identified in this proposal. City of Detroit conducted interviews with these stakeholders including support from consultants. Through these interviews, conducted in 2023, the City formed the proposed activities in direct response to stakeholder feedback. Additionally, the city meets monthly with the Detroit Real Estate Association of Developers to refined input and coordination.

Detroit has assembled a Zoning Advisory Group (ZAG) made up of about 35 members representing community organizations, non-profit housing developers, homeless agencies, neighborhood business groups, to date this group has held at least 10 meetings to review the draft and provide feedback. This group will continue to be used throughout the proposed activity. Another key stakeholder is city staff. CPC staff has met and will continue to meet representatives of the City's building department, law department, planning and development department, and Housing and Revitalization department to discuss and review proposed zoning ordinance changes. Staff has conducted and will continue to host city wide meetings to present the draft and to receive feedback, as well as meeting with members of City Council.

4. How Does Your Proposal Align with the Requirements to Affirmatively further fair housing?

The proposed activities align with the City's Fair Housing objectives of ensuring protected classes have equitable access to quality affordable housing options and increasing affordable housing options. Disparities exist today in the ability for black families to access safe and affordable housing in Detroit and the metro region. The city of Detroit has a median income that

is 46% less than the state of Michigan and Black Detroit residents comprise 76% of the city’s population compared to 13% of Michigan’s population (ACS 1 year estimates 2022). Barrier removal proposed in this application promotes housing development in areas of opportunity and requires low-and-moderate-income residents gain access to produced units. The proposed activities expect to serve majority African American residents, with at least 51% low- and moderate-income residents. Displacement risk is addressed by the Uniform Relocation Act (URA). For any occupied property, the City must approve a Tenant Retention Plan prior a Conditional Award being issued for the project that demonstrates how the project will prevent displacement of existing residents, including the plan for any temporary relocation. As the city of Detroit has seen a dramatic increase in housing costs, activities proposed in this application help ensure existing residents can continue to live in their current neighborhood without fear of displacement due to structure obsolesce or up filtering of housing units. Racial disparities are perpetuated by land use restrictions including the zoning code and by the denial of financing in previously redlined census tracts. Activities in this application address both issues and promote desegregation. This proposal is especially important for families and protected classes. This application has demonstrated that those groups are further supported by barrier reduction. HRD will ensure the proposed activities comply with the Americans with Disabilities Act and will prioritize barrier removal that is especially beneficial to this protected class. HRD will also create a diversity and equity plan for the proposed activities. HRD will ensure housing units produced by the proposed activities will affirmatively market broadly to local and nearby areas.

5. What are your budget and timeline proposals?

If awarded, the City of Detroit will expend PRO Housing funds within the grant period. The expected start date is 2/10/2025 and the projected end date is 9/30/2030. The budget for all activities was determined by discussion across city departments and divisions responsible for similar work. Additionally, stakeholder input from past NOFAs informs the proposed funding amounts for new NOFA activities outlined in this proposal. Specifically inputs to ensure the proposal is cost effective and appropriate are below.

Activity	Description	PRO Housing Request	City of Detroit Match	Total Amount
Zoning Update	One time consultant engagement	\$880,000	\$120,000	\$1,000,000
Small Building NOFA	Six NOFA rounds of \$500,000 each and Technical Assistance Provider	\$1,900,000	\$1,250,000	\$3,150,000
Pre Development NOFA	Six NOFA rounds of \$500,000 each	\$1,750,000	\$1,250,000	\$3,000,000
Pre Permitted Housing	One time consultant engagement	\$350,000	\$-	\$350,000
		\$4,880,000	\$2,620,000	\$7,500,000

Zoning Update – This budget is informed by City Planning Commission’s experience with projects of similar size and scope. The 2018 Zone Detroit projects solicited proposals utilizing a request for proposals (RFP) and received responses ranging from \$650,000 to 1,500,000. Budget item estimates for the proposed activity include: Edit, audit, and finalize draft; update based on recent amendments – Estimated 1,500 hours, \$300,000 total. Audit for affordable housing goals, including incentives for affordable housing and streamlining affordable housing creation – Estimated at 1,000 hours, \$200,000 total, Coordination with Master Plan update, transit and mapping review - Estimated 750 hours, \$150,000 total, Legal Review - Estimated 650 hours, \$200,000 total, Outreach and implementation - Estimated 750 hours, \$150,00 total

Small buildings NOFA and Pre Development NOFA – This figure is informed by the City of Detroit’s current Affordable Housing NOFA and housing underwriting staff and an analysis of funding currently utilized by 2-8 unit buildings and within the pre-development award category. The City of Detroit expects the requested funding amount to be utilized in full. The budget also includes technical assistance – Estimated 750 hours, \$150,000 total.

Pre Permitted housing – This budget is informed by consultation with the Detroit Land Bank Authority and the Michigan State Land Bank. Those entities partnered on a project similar in scope and size in 2022 and provided insight for expected costs for such an engagement. Estimated 1,750 hours, \$350,000 total.

If HUD awards less funding than requested, they city will augment the scale of activities to accommodate the lesser amount. Proposed NOFA activities are offered on a yearly basis and can be reduced in frequency if necessary. The City of Detroit will prioritize barrier removal of the proposed zoning update activity. The minimum amount of funding that would allow the City of Detroit to carry out the proposal in some form is \$2,380,000. If the city of Detroit is only awarded 50% of the request the city will complete all consultant engagements and reduce the total available funding in both NOFAs. Ideally, NOFAs can be offered on a recurring basis as proposed during the grant period to fully align with the expected long-term effects.

Timeline

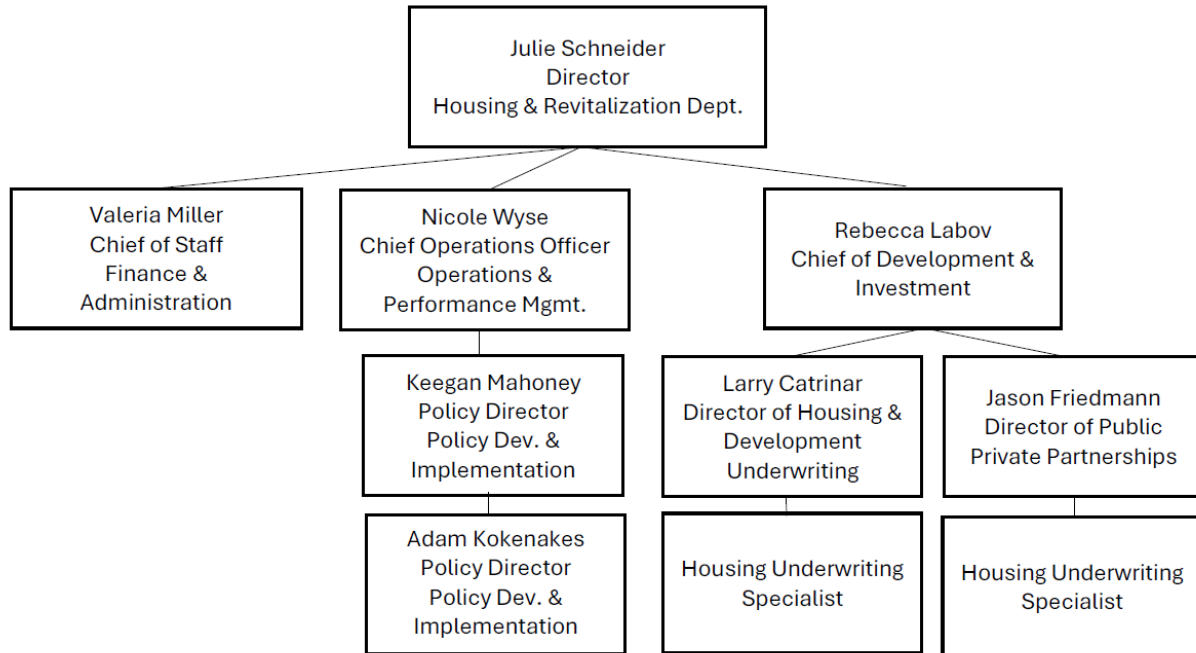
Activity	Sub Task	Start Date	Completion Date
Zoning Update			
	Procurement	Q2 2025	Q4 2025
	Consultant Engagement	Q1 2026	Q4 2027
Small Building NOFA			
	Procurement of Technical Assistance Provider	Q2 2025	Q1 2026
	NOFA Development	Q2 2025	Q1 2026
	Yealy NOFA	Q1 2026	Q4 2029

Pre Development NOFA			
	NOFA Development	Q2 2025	Q1 2026
	Yealy NOFA	Q1 2026	Q4 2029
Pre Permitted Housing			
	Procurement	Q2 2026	Q4 2026
	Consultant Engagement	Q1 2027	Q2 2028

EXHIBIT E – CAPACITY TO MANAGE PRO HOUSING SCOPE

Organizational Chart and Staffing Plan

The City of Detroit’s PRO Housing activities will be led by its Housing and Revitalization Department (HRD). An organizational chart and list of key management positions that will have significant oversight and implementation responsibilities for PRO Housing is below. A full organizational chart for HRD is included at the end of this Exhibit E.



Julie Schneider, Director, Housing and Revitalization Department, will provide senior leadership, direction, and oversight of PRO Housing activities. Director Schneider reports directly to the Mayor and oversees the five Divisions within HRD, including three Divisions that will contribute to PRO Housing planning and implementation: (1) Development and Investment Division; (2) Programmatic Operations and Performance Management Division; and (3) Administration and Finance Division.

Valeria Miller, Chief of Staff, Administration and Finance, will oversee financial administration and HUD-related compliance management for the PRO Housing activities, including environmental review and labor compliance.

Rebecca Labov, Chief of Development and Investment, will oversee strategy and management for the proposed Small Buildings and Predevelopment PRO Housing activities. Ms. Labov oversees 44 staff focused on supporting housing development, including two divisions that will contribute to PRO Housing implementation: (1) Public Private Partnerships and (2) Housing and Development Underwriting.

Jason Friedmann, Director of Public Private Partnerships, will oversee developer support and technical assistance for the proposed Small Buildings and Predevelopment PRO Housing activities. Mr. Friedmann manages an 8-person Public Private Partnerships team that works with developers to navigate land acquisition, City approval processes, tax abatements, and other processes associated with housing development.

Larry Catrinar, Director of Housing and Development Underwriting, will oversee the development of Notices of Funding Availability, application intake and review, scoring, underwriting, and award of investments for the proposed Small Buildings and Predevelopment PRO Housing activities.

Nicole Wyse, Chief Operations Officer, will oversee project management and performance management for the PRO Housing grant. Ms. Wyse oversees 15 staff focused on procurement and contract management, performance management, and policy development and implementation.

Keegan Mahoney, Policy Development and Implementation Director, will oversee PRO Housing implementation strategy and evaluation.

Adam Kokenakes, Policy Development and Implementation Analyst will act as lead program manager for the PRO Housing activities. Mr. Kokenakes will manage coordination across HRD divisions implementing PRO Housing activities and will be the lead liaison with the City Planning Commission on the zoning reform component.

The City of Detroit's PRO Housing activities will be implemented in collaboration with the City Planning Commission. A list of key management positions that will have significant oversight and implementation responsibilities for PRO Housing is below. **A full organizational chart for CPC is included at the end of this Exhibit E.**

Marcell Todd, Director, City Planning Commission, Detroit City Council, will provide leadership oversight for the zoning ordinance reform components of the proposed PRO Housing activities and work directly within the legislative branch to implement changes.

Christopher J. Gulock, AICP, Deputy Director, City Planning Commission, Detroit City Council, will provide managerial and process oversight for the zoning ordinance reform components of the proposed PRO Housing activities and will manage the team of City Planners working on this initiative.

In addition to key management positions described above, there will be a minimum of five (5) Full Time Equivalent staff positions that will manage PRO Housing activities including:

- 1 FTE focused on project management and implementation strategy across all PRO Housing activities
- 1 FTE Development Specialist focused on communications, engagement, and technical assistance for housing developers;
- 1 FTE Housing Underwriting Specialist focused on intake, review, and award of housing investments;

- 2 FTE City Planners working in coordination with the contractor/vendor leading the zoning code update project.

Lead Implementation Agency

Implementation of the City of Detroit’s proposed PRO Housing activities will be led by its Housing and Revitalization Department (HRD). HRD manages the City’s actions to finance, underwrite, and administer housing and community investments that enhance the quality of life for the citizens of Detroit. Through HRD and the City’s partners in housing, including the Detroit Housing Commission, the City of Detroit is committed to ensuring that every Detroiter has access to safe, decent, and affordable housing. HRD directs the strategy, deployment, and management of the City’s housing policy and U.S. Department of Housing and Urban Development entitlement funding.

Specific roles and existing management capacity of the HRD are:

- **Manage direct investment into affordable housing development and preservation.** Since 2018 the Housing and Revitalization Department has identified, underwritten, and closed on more than \$87.5 million in direct investment into affordable housing development and preservation projects representing affordable housing 41 projects. The Housing Underwriting division has administered a twice annual Notice of Funding Availability since 2018 and subsequent processes to review and competitively score projects based on alignment with City housing goals, financial viability, financial leverage, and feasibility.
- **Develop collaborative housing strategies to address housing.** HRD has a strong track record of developing, planning, and implementing affordable housing strategies. Through these collaborative strategies, the City has demonstrated its ability to set community vision, attract partners and resources, and manage collaborative implementation to achieve housing outcomes. Examples include:
 - **Detroit Multifamily Affordable Housing Strategy (2018)** - HRD worked with community stakeholders and a consulting team to develop the City’s first ever public affordable housing development and preservation strategy. Among other outcomes this strategy attracted \$58 million in private investment to create a local affordable housing loan and equity fund and resulted in the creation of the Preservation Partnership to deliver technical assistance to developers and owners to preserve affordable housing.
 - **Detroit Long-Term Feasibility Study and Plan (2018)** - HRD worked with community stakeholders and a consulting team to identify public-private actions to develop Community Land Trusts or other long-term affordable ownership structures. This led to increased planning and technical support to emerging Community Land Trust developments.
 - **Detroit Single Family Strategy (2020)** - HRD worked with community stakeholders and a consulting team to identify strategies to increase and stabilize homeownership for low- and moderate-income Detroit residents. This resulted in the development of a

- public Downpayment Assistance Program involving the collaboration of mortgage lenders, housing counseling agencies, and philanthropic investors.
- **Homelessness Strategy (2024)** - HRD worked with the local Continuum of Care and a consulting team to develop and release a community strategic plan to reduce homelessness in the City of Detroit.
- **Managing cross agency policy initiatives.** HRD has demonstrated recent success at working cross departmentally and with the City Council to design and build support around policy initiatives that remove barriers to quality affordable housing. Examples include:
 - **Fast Track PILOT Ordinance (2024)** - HRD worked with affordable housing development stakeholders, Office of the Assessor, the Office of the Chief Financial Officer, the Mayors Office, and Detroit City Council to broaden eligibility for a vital affordable housing property tax incentive and to streamline the process of approving these incentives.
 - **Rental Ordinance Revisions (2024)** - HRD worked with philanthropic partners, community development stakeholders, a code enforcement technical consultant, the City of Detroit Building & Safety Department, and Detroit City Council to develop and introduce a revision to Detroit’s rental code, eliminating redundant and costly inspections to improve enforcement rates while improving tenant protections against unsafe housing conditions.

Implementation Management and Controls

The City of Detroit is well equipped to quickly launch and implement a major federally funded project on the scale of this proposal. The City of Detroit has developed capacity, policies, procedures, and expertise that has positioned the City to concurrently administer more than \$1.98 billion in direct federal assistance to address community priorities from agencies including HUD, FEMA, EPA, and DOT. Examples of current City managed federal funding include:

- HUD Awarded Lead Hazard Reduction (LHR) FY2019 - \$9,700,000 and FY2022 - \$5,650,000; To provide lead hazard reduction services to eligible private single-family homes.
- EPA Awarded Enhanced Air Quality Monitoring for Communities; FY2022 - \$481,935; To establish its first comprehensive citywide air pollution monitoring (PM) network with near-real time reporting.
- EPA Awarded; Water Infrastructure Improvements for the Nation Act (WIIN) FY2022 - \$17,800,000 To develop and implement projects to reduce lead exposure in drinking water by replacing lead service lines and removing potential sources of lead in Detroit.

Specific capacities that the City of Detroit possesses that will support the management and implementation of PRO Housing activities include:

- **Financial Management.** The City has a strong grants management policy and system in place to ensure compliance with all relevant policies for this grant. A 2018 directive from the Chief Financial Officer established citywide policies concerning development and grants management. The directive outlines proper grant planning, grant coordination, grant implementation, and grant oversight in order to maximize grant funding and its impact and to ensure grant funding is leveraged in an efficient and effective manner that maximizes investment in the City; ensures grant funding is used in accordance with all grantor rules and regulations, including Federal guidance and the Office of Management and Budget's Code of Federal Regulations (CFR); and ensures that all grantor requirements are met in accordance with grantor agreements.

- **Internal Controls.** The City's grant compliance framework described above is also situated within a context of strong financial management and controls. The 2018 directive established an effective system of internal control to achieve the objectives of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The City's internal controls framework encompasses three areas of oversight:

 - Authorization and Approval: City employees approving transactions are separate from those who initiate such transactions. All transactions are reviewed and authorized only by City employees with delegated approval authority.
 - Segregation of Duties: No one person exercises complete control over more than one key function or activity and duties are separated such that one person's work serves as a check and balance to another person's work.
 - Timely and Accurate Review and Reconciliation: Departmental accounting records are reviewed to verify that recorded transactions have occurred and were made in accordance with City policies and procedures and are compared to financial reports to verify their reasonableness, accuracy and completeness.

- **Grant Reporting.** A 2016 directive from the City of Detroit Chief Financial Officer ensures that the Office of Grants Management (OGM) reviews, approves, and submits all reporting requirements of grant funded programs, and are conducted in accordance with all applicable Federal regulations and guidance. Key divisions with the Office of the Chief Financial Officer that support grant reporting and their roles include:

 - The Office of Grants Management reviews supporting documentation for grant financial and programmatic activities to ensure compliance, accuracy, and completion of information.
 - The Office of Grants Management will review and approve all grant related Program Reports developed by the implementing department.
 - The Office of the Controller will complete all grant status reports. Reports will be reviewed by the Office of Departmental Financial Services and submitted to the Program Analysis Officer for final review and submission to the Federal agency.
 - The Office of Grants Management will upload and submit the approved quarterly and annual program and financial status reports to the appropriate Federal agency's grants management portal by the due dates stipulated in the Federal award.

Leadership Capacity and Legal Authority

The proposed PRO Housing activities will be implemented by the City of Detroit Housing & Revitalization Department (HRD) as the lead agency in collaboration with the City Planning Commission. Both entities have the leadership capacity and legal authority to carry out this work on behalf of the City of Detroit.

HRD is an implementation and service delivery department within the Executive Branch of the City of Detroit. The Director of HRD is appointed by and reports directly to the Mayor of the City of Detroit. HRD is primarily responsible for the administration of Federal entitlement funds, competitive grant funding, and City general funds into activities that promote the development and preservation of affordable housing and neighborhood well-being.

The City Planning Commission is an advisory body to the Detroit City Council, staffed by designated Legislative Policy Division (LPD) personnel. It acts as the Zoning Commission for the City of Detroit pursuant to Section 125.3301 of State Act 110 of the Public Acts of 2006 as amended and in accordance with Chapter 61, Article II, Sec. 61-2-11 of the 1984 Detroit City Code, the Zoning Ordinance. In this capacity, the Commission is tasked with providing opportunities for input at public hearings; information on zoning of particular parcels and on the process of rezoning parcels or otherwise amending the City's Zoning Ordinance; information on uses permitted in zoning districts and other zoning requirements; general information on development projects; specific information on projects pending before the City Council or acted upon by the City Council; and assistance in proposal preparation and community organizing.

Partner Capacity

The City of Detroit is not applying as part of a partnership with external agencies or organizations.

Agency Experience Coordinating Partners

The City of Detroit and specifically the Housing & Revitalization Department and City Planning Commission have extensive experience coordinating partners and stakeholders to foster support, collaboration, co-investment, and coordinated implementation of similar housing related initiatives. Examples include:

- **ZoneDetroit.** For the ZoneDetroit initiative in 2019-2020 (a planning initiative that resulted in the proposed PRO Housing activity related to comprehensive zoning ordinance reform), the City Planning Commission managed 30+ stakeholder interviews with elected and appointed officials, development professionals, small business owners, advocacy organization, and community based organization; the CPC held 14 public meetings focused on education and input gathering related to rezoning efforts; 17 presentations at meetings held by community organizations; and 10 interactive workshops structured to get actional and specific direction from community members on zoning issues.

- Greater Corktown Framework and Choice Neighborhood Transformation.** Launched in 2019, this planning and implementation process demonstrates the City’s ability to generate wide, cross-sector consensus while engaging a broad spectrum of stakeholders with different needs and objectives. A unique set of circumstances and market pressures converged in Detroit’s Greater Corktown neighborhood and necessitated a planning process: resident displacement pressures rose as the neighborhood began to recover post-bankruptcy; a series of planned park and commercial corridor public investments took shape, totaling nearly \$190M in development impact; and Ford Motor Company’s announced purchase and \$950M rehabilitation of the long-vacant Michigan Central Train Station. The City launched an extensive, resident-driven planning process with the goal to leverage the monumental investment flowing into Greater Corktown while ensuring the neighborhood could remain accessible for residents of all incomes. This planning process served as the bedrock for the City’s eventual Choice Neighborhoods Implementation Grant application, which was awarded for Greater Corktown in 2021. The resulting Neighborhood Framework and Transformation Plan produced a roadmap for targeted public investment for the next decade including combatting displacement by creating 841 units of new, affordable and mixed-income housing.
- Housing Investment Pipeline.** As part of one of its core functions to invest public funds into the development and preservation of affordable housing, the Housing & Revitalization Department has demonstrated its ability to coordinate the actions of related and unrelated partners. This coordination has resulted in \$87.5 million in direct investment into affordable housing development and preservation projects representing affordable housing 41 projects. HRDs staff routinely coordinates the actions of the Detroit Building Authority and Detroit Land Bank Authority to manage the use of publicly owned land for affordable housing development; Affordable housing developers of varying sizes to coordinate access to land, financing, and tax abatements for affordable housing; the Michigan State Housing Development Authority on coordinated local and State investments into projects; the Detroit Economic Growth Corporation to coordinate underwriting of tax abatements and incentives; Detroit City Council to coordinate approvals needed for development; and financing entities including Community Development Financial Institutions to coordinate capital structures and financing terms across project investors.

Application Staffing

Preparation of this application was completed solely by applicant staff within the Housing and Revitalization Department and the City Planning Commission, namely:

- Adam Kokenakes, Program Analyst IV, Housing and Revitalization Department, Policy and Implementation Division
- Keegan C. Mahoney, Program Director, Housing and Revitalization Department

- Christopher J. Gulock, AICP, Deputy Director, City Planning Commission, Detroit City Council
- Marcell Todd, Director, City Planning Commission, Detroit City Council
- Kimani Jeffrey, City Planner, City Planning Commission, Detroit City Council
- Jamie Murphy, City Planner, City Planning Commission, Detroit City Council
- Eric Fazzini, AICP, City Planner, City Planning Commission, Detroit City Council

Civil Rights and Fair Housing Experience

HRD has significant experience working with civil rights and fair housing issues. The department is responsible for developing and stewarding the City of Detroit's Analysis of Impediments to Fair Housing. In doing so, the department regularly access and analyze data pertaining to racial and economic disparities and uses this analysis to inform program and investment strategies.

For example, HRD commissioned an analysis of housing market factors in 2020 that showed that mortgages denial rates in Detroit, a City with a population that was 76% black, were 250% higher than in the surrounding majority white suburbs. Analysis further showed the majority of loan denials were due to insufficient collateral (a combination of low appraisals and buyers without the ability to make large downpayments). The City used this analysis to inform the development of the Detroit Downpayment Assistance Program that has invested more that \$12 million to help more than 434 Detroit residents close on affordable mortgages, with 93.5% of participants being black/African American headed households.

EXHIBIT F LEVERAGE

The city is committed to carrying out the proposed activities and will leverage resources to provide a 54% match to the Requested Pro Housing Funds.

City of Detroit Match

Source	Amount
CDBG	\$2,500,000
City Planning Commission Budget	\$70,000
MSDHA Housing Readiness Grant	\$50,000
Total Match	\$2,620,000

EXHIBIT G LONG-TERM EFFECT

The City of Detroit's approach is proposing activities that have permanent effects on the removal of key barriers to affordable housing production. Activities that address key barriers related to city regulations, approval processes, and land use controls are near permanent changes that will be utilized by developers for decades to come. Activities that address key barriers related to housing developers have difficulty accessing financing help reform City program design for small buildings of 2-8 residential units and for pre development activities. The city expects to use this refined program design for additional years after the grant period.

Activity 1 Zoning Update The current Detroit zoning code has remained largely unchanged since 1968. Zoning is inherently a long term change that guides the development process overtime. The proposed activity to update the zoning code takes a new approach to housing development and is expected to result in the sustained production of housing. The City expects to see an increase the number of housing developments built, an increase the number of developers serving the Detroit market, and a reduction in the number of zoning variances or other exceptions required to build housing. The City will monitor development activity following the change and project the future unit increase. Upon competition of grant activities, the updated zoning ordinance will be written, tested, and approved by Detroit City Council.

The City of Detroit is proposing a new approach to zoning in the largest city in Michigan. Additionally, the City of Detroit has the highest percent of African American population of large cities nationwide. These items highlight the importance of the zoning update as a signal to Michigan and nationwide jurisdictions. Detroit can be a model for a pro housing zoning code that is inclusive for low-to-moderate-income persons and protected classes.

We note that zoning, racial covenants, and physical separations have perpetuated racial discrimination in the City of Detroit. Updating the zoning code helps address underlining segregation that divides residential housing by housing type and price point.

Activity 2 Small Buildings NOFA This NOFA creates new policies that address barriers for small developers over a long period of time. The City of Detroit currently works with a limited number of 2-8 unit affordable housing developments. Using PRO Housing funds to create a new NOFA process going forward will sustain city commitment to these projects. Upon competition of grant activities, the policies and procedures for Small Building NOFA will be created and in use. Six rounds of funding will be complete, and the City of Detroit can implement the new NOFA with CDBG funding sources for additional years. The Housing and Revitalization Department (HRD) estimates the Detroit market for 2-8 unit buildings can absorb a minimum of \$500,000 subsidy per year for the foreseeable future.

The ability to refine the Small Buildings NOFA over six rounds is beneficial for the City of Detroit and as an example for other communities. Other jurisdictions in the State of Michigan and beyond have existing middle housing of 2-8 units that can be leveraged to produce and preserve affordable housing. Lessons from this activity can inform similar efforts.

Small multifamily buildings are more likely to be located in census tracts that were denoted 'Declining' or 'Hazardous' by the Homeowners Loan Corporation. By incentivizing development of 2-8 unit structures, the City is targeting historically redlined neighborhoods.

Activity 3 Pre Development NOFA The City of Detroit is seeking to innovate on the ability to support pre development activities for affordable housing development. Infrastructure supports are a long term investments that require ongoing maintenance and repair. This is an ongoing need for the city and this activity tests long term financing solutions. Upon competition of grant activities, the policies and procedures for Pre Development NOFA will be created and in use. Six rounds of funding will be complete, and the City of Detroit can implement the new NOFA with CDBG or other funding sources. Jurisdictions in the State of Michigan and beyond have aging infrastructure and other site readiness needs that can be informed by the proposed activity.

Pre 1940 housing stock or development sites are likely to need a variety of pre development supports related to environmental remediation and aging infrastructure. These pre 1940 structures tend to be located in census tracts that were denoted 'Declining' or 'Hazardous' by the Homeowners Loan Corporation. By investing in pre development activities, the City is targeted historically redlined neighborhoods.

Activity 4 Pre Permitted Housing The proposed activity to is expected to result in the sustained production of infill housing overtime. The City has a surplus of vacant land that can be used for infill development and expects that supply will feed the pipeline of infill projects for years to come after the grant period. The City expects to see an increase the number of infill housing developments built, an increase the number small developers building this type of housing, and a reduction in the number of zoning variances or other exceptions required to build infill housing. The City will monitor development activity following the change and project the future unit increase. Upon competition of grant activities, architectural drawings for infill housing will be complete and approved for expedited permitting processes.

The City of Detroit is proposing a new approach to zoning infill development in the largest city in Michigan. Additionally, the City of Detroit has the largest public ownership of vacant land in the state. These items highlight the importance of reducing barriers for infill development Detroit can be a model for urban infill development that is inclusive for low-to-moderate-income persons and protected classes.

Demolition activities are more likely to be located in census tracts that were denoted 'Declining' or 'Hazardous' by the Homeowners Loan Corporation. By incentivizing infill development, the City is targeting historically redlined neighborhoods.