



DRAFT 10-16-2023

**U.S. Department of Housing and Urban Development
Pathways to Removing Obstacles to Housing (PRO-Housing) Grant
City of Kalamazoo Grant Application**

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EXHIBIT A – EXECUTIVE SUMMARY

The City of Kalamazoo is requesting \$2,832,500 for four separate activities that will provide new renter housing, new single-family homes, downpayment assistance, and the creation of a new fair housing plan for the city. These activities will address the urgent affordable housing needs of Kalamazoo residents. The grant will also support the city in addressing barriers to affordable housing in the future by developing recommendations for action in the new fair housing plan.

A summary of the projects include:

1. Rental Housing Project - \$1,000,000

The LIFT Foundation is working to secure funding and Low-Income Housing Tax Credits (LIHTC) for Hawthorne Park, which will be a new 36-unit apartment community. The project will be located near downtown Kalamazoo in the Edison Neighborhood.

Hawthorne Park will target eleven of the 36 units to families earning less than 40 percent of the Area Median Income (AMI). In addition, six of these targeted units will also be assigned Permanent Supportive Housing (PSH) rental vouchers through Integrated Services of Kalamazoo (ISK). The remaining units will be available to those earning 60 percent or less AMI and who may have a Section 8 voucher or other rental assistance subsidies.

2. Kalamazoo Attainable Homes Partnership: Single-Family New Construction - \$1,000,000

Kalamazoo Neighborhood Housing Services, a local nonprofit housing provider, developed a partnership with the Home Builders' Association of West Michigan to create the Kalamazoo Attainable Homes Partnership (KAHP). This project builds new single-family homes for families at 80 percent or less of the area median income as defined by HUD. To make these homes affordable, KAHP has reduced expenses in four main ways: lots are acquired from the Kalamazoo County Land Bank at a reduced cost; builders have reduced fees; the houses are designed to minimize the number of materials needed for non-functional features; and, KAHP partners with Consumers Energy to create all-electric, highly energy-efficient homes.

Despite these cost saving measures, KAHP homes cost significantly more to build than market appraisal. Current costs to build a three-bedroom two-bathroom home is approximately \$270,000 but only sell for around \$165,000. The PRO-Housing funding would cover this construction gap. It is expected that approximately nine homes will be developed.

3. Homebuyer Downpayment Assistance and Housing Counseling Program - \$525,000

As stated, the average three-bedroom two-bathroom home in our core neighborhoods has an appraised value of around \$165,000. However, most of the low-income families that have been a part of KAHP program are only able to secure mortgages for about \$135,000. This \$30,000 gap is a significant hurdle to homeownership for any low-income family. Providing downpayment assistance subsidies offers opportunities to these families without impacting the market value of the neighborhood as the home is still appraised at \$165,000. Approximately

14 new homebuyers will receive housing counseling and coaching and when mortgage ready, will receive downpayment assistance to ensure affordability of their new home.

4. Fair Housing Planning - \$50,000

The City of Kalamazoo's fair housing plan expired in 2022 and a new plan is needed. Many of the recommendations of the existing plan have already been put in place or are underway. Direction on new approaches to fair housing is needed through community and housing organization input. The use of a consultant to assist the city will allow the small four-person Community Development Division the ability to focus on managing existing grant compliance responsibilities.

5. Grant Administration - \$257,500 (or 10 percent)

Community Development staff will utilize 10 percent of the funds over the grant period. These funds will be used for oversight, compliance, and reporting on the funded projects.

To help support the construction projects, leveraging has been provided at approximately 74 percent of the requested grant. A total of \$2,028,775 has been committed to the Hawthorne Park project. An additional \$13,276,695 of uncommitted but expected leverage funds may be available by the end of the grant period, which would equate to over five times the requested grant.

Ultimately, the success of the PRO-Housing grant for the city would be the development of new affordable housing units and guidance on future goals related to fair housing. The new affordable units will give housing options to low-income residents by increasing choice in the housing market. Providing more options also offers opportunities to reduce housing cost burden on the most financially vulnerable households. The rental units will particularly increase the number of available units to voucher and rental subsidy holders, which is an underserved population in the city. The new single-family homes and downpayment assistance programs will increase homeownership by providing access for low-income families at a price their incomes can afford. Homeownership through the downpayment assistance program also allows the low-income family to build equity through an appreciating investment without destabilizing the housing market.

EXHIBIT B: THRESHOLD REQUIREMENTS AND OTHER SUBMISSION REQUIREMENTS

1. Resolution of Civil Rights Matters

The City of Kalamazoo does not have any outstanding civil rights matters that must be resolved before the application submission deadline.

2. Timely Submission of Applications

The City of Kalamazoo intends to submit the application by the deadline stated in the Notice of Funding Opportunity and do not need a grace period.

3. Eligible Applicant

The City of Kalamazoo is a governmental entity and is a HUD entitlement community. The city meets the eligibility requirements to submit an application.

4. Number of Applications

The City of Kalamazoo has only submitted one application under the PRO-Housing Notice of Funding Opportunity and will ensure it is complete when submitting to Grants.gov.

EXHIBIT C: NEED

i. Describe your efforts so far to identify, address, mitigate, or remove barriers to affordable housing production and preservation.

The City of Kalamazoo has made extensive efforts over the last few years to address the barriers linked to affordable housing. This has been a multi-pronged approach to help ensure a comprehensive and wholistic view of affordable housing needs. These actions are 1) updating Zoning Ordinance to remove barriers to infill housing and supporting complete neighborhoods, 2) creating and improving general ordinances related to housing and civil rights; 3) investing extensively in developments that include affordable housing for low-income residents, 4) supporting and/or providing tax incentives for the development of new affordable housing units, and 5) helping with capacity building of smaller nonprofits that wish to develop affordable housing. The most important components of these efforts are listed below:

Zoning Ordinance Amendments

The zoning ordinances within the city have been historically prohibitive to the construction of affordable housing. In the past five years there has been a significant work to amend zoning ordinances to support and encourage the development of affordable housing.

In determining barriers to infill development throughout the city, staff reviewed lot sizes, and building restrictions, standards, and coverage. In 2018, zoning ordinance amendments created the allowance for accessory dwelling units in our community. In 2019, the residential zone district standards were amended to reduce the minimum lot width of buildable lots, reduced the minimum lot area required for a buildable lot, and allowed for increased dwelling unit density in the multi-dwelling residential districts.

A central focus has been updating zoning districts that were prohibitive to development in several areas of the core neighborhoods of the city. In 2018, new zone districts were created named Live Work-1, Live Work-2, and NODE. These new districts offer more flexibility for all residential development with greater unit density than the prior zone districts, as well as allowances for mixed-use development in these districts. In 2020, downtown zoning was amended to create three downtown zone districts each with different development intensities. The core downtown (Downtown 1) and the area just outside the core (Downtown 2) allow for apartments and condos and include design standards to allow for residential on the ground floor level of buildings where residential was previously not permitted. The outer most area of the downtown (Downtown 3) allows commercial uses but also permits single-family, duplex, row houses, apartments, or condos.

In 2022, several goals towards amending the zoning code in the city were accomplished resulting in huge victories for the city's affordable housing development. In June of 2022, zoning ordinance amendments were approved permitting ground floor residential units in the Commercial – Community District (CC), where in the past only commercial was permitted. In 2023, the momentum of zoning ordinance changes continues. Amendments are planned for adoption before the end of the year that will create another new zone district which promotes flexibility – allowing for residential, commercial, or mixed-use development. This new zone district is called

Commercial – Community – 2 (CC-2). In addition, amendments to residential parking regulations are underway eliminating the requirement for minimum parking except for student housing. Residential expansion was often restricted due to insufficient lot space to accommodate minimum parking requirements. The intent of this zoning ordinance change is to encourage an increase residential development in walkable areas of the city.

Finally, amendments are underway to realign the zoning of commercial corridors and neighborhood business districts. The intent is to expand the use of more flexible zone districts which support residential, commercial, or mixed-use developments. Zone districts which do not allow for residential or only limited residential uses are being removed from the zoning ordinance and properties will be rezoned to a Residential – Multi Dwelling District or one of the more flexible zone districts which allow residential development to be the primary use.

General Ordinance Amendments

In 2020, the City Commission amended the existing Civil Rights Ordinance and adopted a newly created Fair Housing ordinance. The Fair Housing ordinance expanded housing protections to include educational affiliation, source of income, status as a victim of domestic violence, personal identification method, and prior arrests or conviction record. The ordinance also protects renters against predatory application fees and strengthens enforcement for gender identity and sexual orientation. To enforce new and existing provisions of the Civil Rights Ordinance, the amendments created a Civil Rights Board to review allegations and violations of local ordinances providing civil rights and fair housing protections. The amendments were developed in collaboration with community partners including Interfaith Strategy for Advocacy and Action in the Community (ISAAC), and Truth, Racial Healing & Transformation (TRHT) Kalamazoo.

In 2021, the city adopted an Emergency Housing Ordinance to support the development of additional temporary shelters for the homeless during the COVID 19 pandemic. The city recognized that homelessness is an ongoing condition and that a need existed for places where persons can go for emergency housing needs. Addressing shelter for the unhoused was an emergency due to the rise in the number of homeless individuals in the Kalamazoo area, the lack of housing options at traditional shelters, and a lack of safe temporary or transitional housing availability. Several housing service providers and organizations expressed the desire to provide temporary shelter to address this emergency need during the pandemic. The Emergency Housing Ordinance was approved with a sunset date in 2023 and is currently being reviewed for an extension and other potential improvements.

Affordable Housing Development

The City of Kalamazoo has already invested millions of dollars into removing barriers to affordable housing, with large investments occurring within the past few years. A significant portion of these funds comes from grants awarded through The American Rescue Plan Act (ARPA), HOME Investment Partnership Program, and the Foundation for Excellence. In total, the city has allocated close to \$9.3 million dollars over the last two years.

The American Rescue Plan Act have provided Treasury-ARPA dollars to support its response to, and recovery from, the COVID-19 public health emergency. Using these funds, the city has funded several local housing projects, as follows:

- In 2022:
 - Milestone Senior Services received \$200,000 to support their Critical and Minor Home Repair program. This program supports affordable housing by assisting low- to moderate-income households maintain and retain their homes. The results of this program will be home repair assistance to 28 low- to moderate-income households.
 - Kalamazoo Neighborhood Housing Services received \$1,000,000 for the acquisition, rehabilitation, and resale of 14 single-family homes to low-income households. The vacant units will be renovated to provide safe, healthy, and updated single-family homes for families making 80 percent or less of the area median income.
 - Kalamazoo Neighborhood Housing Services, who are a partner with the city on a Lead Based Paint Reduction Grant through the Office of Lead Hazard Control and Healthy Homes, received an additional \$330,000 in Treasury-ARPA funds to remediate lead based paint for families makes 80 percent or less the area median income. This removes a health barrier for families currently living in affordable housing.

- In 2023:
 - Hollander Development Corporation, Edison Community Partners, and Mt. Zion Baptist Church received \$1,000,000 to support construction of affordable housing units. This project, known as The Legacy, is a senior housing development consisting of two buildings and restricted to senior citizens aged 55 or older. It is intended to provide long term affordability to residents earning an average of 60 percent or less of the area median income. This project created 70 new affordable housing units.
 - Local Initiatives Support Corporation received a grant in the amount of \$1,500,000 to rehabilitate approximately 48 rental units that will be dedicated to families who are a part of the Housing Choice Voucher program, which is a low-income rental subsidy. Households that have vouchers often find it difficult to locate housing as private landlords are frequently unwilling to accept voucher holders. Each unit is granted a limit of \$25,000 with a total of three to five units allowed per property. The allocation of these funds for Housing Choice Voucher units increases the quality and availability of affordable housing for those who are a part of this program.
 - Kalamazoo Neighborhood Housing Services is in partnership with the Home Builders' Association of West Michigan for the Kalamazoo Attainable Homes Partnership (KAHP). This program develops new single-family housing for families making 80 percent or less the area median income. The city granted \$770,000 of Treasury-ARPA funds for the construction of eight new homes.
 - Finally, the city intends to approve a grant of \$330,000 to the Kalamazoo County Land Bank for the construction of four new attached single-family homes for low-income households. These attached units, called Eastside Square, will be located within the Eastside Neighborhood. Three of the units will be sold to households making 80 percent or less of the area median income, whereas the remaining unit will be available to a household making 100 percent or less of the area median income.

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The Foundation for Excellence is a local 501c(3) nonprofit organization that was founded in 2017 as an innovative solution to financial challenges facing the city. It supports the goals of the City of Kalamazoo and funds aspirational projects in youth programming, infrastructure, career development, transportation, economic and business support, and housing. With these funds, the city has supported several projects intended to remediate the affordable housing challenge.

- In 2022:
 - Kalamazoo Neighborhood Housing Services received a grant of \$750,000. A total of \$500,000 was allocated to the development of eight new single-family homes for purchase by qualified low-income households. Qualified households must be under 80 percent of the area median income and complete a homebuyer education program. The remaining \$250,000 was provided to the grantee to facilitate the acquisition, rehabilitation, and resale under a lease/purchase model for four single family homes by qualified low-income households.
 - Kalamazoo Neighborhood Housing Services also received \$500,000 in conjunction with the Treasury-ARPA grant for the development of eight new single-family homes for homebuyers making 80 percent or less of the area median income.
 - Community Homeworks received a grant of \$156,000 for their Critical and Code Enforcement Repair Programs. The Critical Repair Program assists low-income households maintain and retain their homes by focusing on health and safety improvements. Critical home repairs can include furnaces, water heaters, and other electrical, plumbing, and carpentry renovations. The Code Enforcement Repair Program assists families that have been cited with code enforcement violations. The intent is to provide support to low-income families that do not have the ability to complete the repairs and remove the citations. These programs often prevent housing insecurity and displacement by returning the home to livable conditions.
 - The Lodge House, which is a supportive housing project, received \$500,000 acquisition grant and a \$375,000 forgivable loan for the construction of 60 affordable studio apartment units to the unhoused or those in threat of becoming homeless.
 - Bogan Development received \$400,000 to renovate a vacant building for a mixed-use development including 13 residential units and one commercial unit. Two affordable housing units will be available for those with incomes at or below 60 percent of the area median income, and one unit for those with incomes at or below 80 percent of the area median income. The remaining units will be market-rate allow for the development of a mixed-income project.
- In 2023:
 - Local Initiatives Support Corporation received a grant of \$250,000 to collaborate with development partners to provide predevelopment support and technical assistance for the generation of new housing units.

HOME Investment Partnership Program funds have also been utilized to support and remove barriers to affordable housing. In 2022, a \$400,000 HOME loan was allocated to a 64-unit senior housing apartment, in which 10 units will be dedicated HOME affordable units for 20 years. Hollander Development received \$325,000 for the construction of a mixed-use apartment complex containing 48 residential units, three of which are dedicated HOME affordable units for 20 years.

Kalamazoo Neighborhood Housing Services has also received HOME funding for the Kalamazoo Attainable Homes Partnership over the last three years for the development of affordable single-family housing.

Tax Incentives

The Low-Income Housing Tax Credit (LIHTC) program is an important resource for local developers to make the finances of affordable housing construction and rehabilitation feasible. At a minimum, 20 percent of LIHTC units must be for residents whose incomes do not exceed 50 percent of area median income or 40 percent of the units must be for residents whose incomes do not exceed 60 percent of the area median income. For LIHTC's to be competitive and receive an application score high enough to be approved, local funding is imperative. In support of this program, the city has funded The Legacy/730 N. Burdick (70 affordable units), The Creamery/110 Portage St (48 affordable units), 530 S Rose (64 affordable units), Harrison Circle/525 E. Ransom Street (64 affordable units).

Payment in Lieu of Taxes (PILOT) is another way the city has supported affordable housing projects, helping to remove the financial barrier to development. The following projects received a PILOT over the last two years:

- Rose Senior Housing – 64 units
- Harrison Circle – 111 units – 64 affordable
- The Creamery – 48 units
- Zion Place Senior Housing – 70 units
- Ashley Square Townhomes –
- Lodge House – 60 units

PILOTs currently under review:

- Kal Recovery – 48 units
- Hawthorne Place – 36 units (project included in this grant application)

Capacity Development

Another barrier to the development of affordable housing in the city is the gap in capacity between small developers and the larger nonprofit and for-profit housing developers. Smaller developers are often halted from getting to the actual construction by regulatory hurdles on top of having to create architectural designs and site plans. The city has tried to resolve this barrier by created a set of pre-permitted plans for housing development. The pre-permitted plan program is an effort by the city to simplify and reduce the cost of the early stages of development. These plans provide, in one package, the designs of the home, site plan, permits, and utility plans.

In October of 2022 this project was announced, and the plans are scheduled to roll out to developers in 2024.

ii. Do you have acute demand for affordable housing? What are your remaining affordable housing needs and how do you know?

Utilizing county data, public outreach, and private market analyses, the city has determined that there is legitimate need for external support to encourage multi-family development and create new ways for prospective homebuyers to penetrate the housing market. In 2022, Kalamazoo County published an assessment of the current housing situation. This research was conducted by the W. E. Upjohn Institute and focused on several indicators of the health of the housing market in Kalamazoo. Among the most poignant of these indicators is the projected population as it compares to the existing housing stock.

An extrapolation of city needs from the Kalamazoo County housing assessment is a demand for an additional 2,155 units in the next 10 years. This breaks down to approximately 370 single-family attached, 300 single-family detached (2 – 4 units), 400 mid-sized multi-family or “missing middle” housing (5 – 25 units), 330 low- and mid-rise apartments (25+ units), and 205 accessory dwelling units. Based on current city contributions for these types of developments, it is expected that subsidies from the city of over \$19 million is needed.

The population rate of Kalamazoo County is expected to exceed the anticipated growth rate of the state of Michigan. Additionally, the number of housing units produced since the Great Recession did not keep pace with the population growth. Due to the underproduction of housing, shortages and price increases have resulted in households paying more than 30 percent of their income towards housing expenses. The county study specifically noted that one of the worst areas where this phenomenon is occurring is within the City of Kalamazoo, and in particular, the Northside neighborhood, which meets HUD’s definition of a racially or ethnically concentrated area of poverty. Census tracts 2.02 and 3.00 that make up the Northside neighborhood average a poverty rate of 45.4 percent and a minority population of 92.1 percent per the 2020 Decennial Census.

According to the most recent CHAS data provided by HUD, there are 17,345 families making 80 percent or less of the area median income, which is 74 percent of the families in the city. Of these families, 94.6 percent of renters and 89.4 percent of homeowners have a housing cost burden greater than 30 percent of their income. Extremely low-income households that make 30 percent or less of the area median income are most affected. For the city, HUD has indicated a very low-income household of four has earnings of approximately \$27,750 a year. The fair market rents for a two-bedroom apartment in Kalamazoo in 2023 is \$1,049 per month. For a year, this equates to \$12,588, which is over 45 percent of their household income.

Another major housing concern involves the age of existing housing stock. Much of the housing that is available in the city is older than 50 years. According to the 2022 American Community Survey, 74.6 percent of the housing in the city is more than 50 years of age, with 25 percent older than 80 years. The city’s core neighborhoods contain both the highest concentrations of poverty in our community as well as many of the historic districts. These historic districts necessitate nuanced repairs to stay within the state requirements for historical preservation which adds to the maintenance and upkeep cost of a home. This creates an additional layer of prohibitive costs of owning a home for much of the low-income members of the community. From public polls

conducted in 2022 by the Kalamazoo County Housing Plan, this was indicated as a major housing concern by residents.

Perhaps the most pernicious problem facing our city's housing situation is the prohibitive building costs that deters the construction of affordable housing. According to a Jaqua Real Estate marketing report, the inventory of affordable housing remains low while prices continue to rise. This makes it very difficult for those looking to buy a new home to find housing at a price their family can afford. On its own this is a significant concern but is magnified by increased costs of construction materials and services, supply chain issues, and labor shortages. According to the National Association of Home Builders, building materials alone have risen over 31 percent between 2020 and 2022. These factors have placed a burden on our local nonprofits and private developers who might have chosen to construct more affordable housing in the city. If they cannot find a resolution to the gap between the cost of construction and what homebuyers are able to pay, no new affordable housing will be built in our community. Without supportive intervention, this issue will only continue to worsen as the need continues to outpace available affordable housing.

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

The key barriers that still exist and need to be addressed to produce and preserve more affordable housing are the availability of financing and subsidies for affordable housing, lack of available land, and the housing market.

The aging housing stock in the city continues to be a major concern for the health and growth of our housing markets. The City of Kalamazoo has eight historic districts listed on the Nation Register of Historic Places, many of which include residential areas. Homes in these districts must meet the standards and guidelines set forth by the Kalamazoo Historic District Commission when making external repairs or renovations. This is cost burden on both existing homeowners and rental properties, as well as anyone wishing to construct new to meet historic standards. This is a particular barrier to affordable housing because many of these historic areas are occupied by low-income residents and are therefore target areas for critical home repair as well as infill housing. The prohibitive costs to build and maintain homes disincentivize local residents from purchasing from the available housing stock.

The availability of financing and subsidies for affordable housing is one of our greatest barriers to produce and preserve more affordable housing. The city has dedicated a large portion of its resources to tackling this issue for several decades by nurturing a reliable capacity of local affordable housing developers and managers, as well as continued community engagement to determine community needs. However, we have maximized our financial layering but are still experiencing a gap due to the price points our local housing market, particularly in the core neighborhoods, can achieve.

Developers will need to invest a great deal of resources in the city to meet the future demand for affordable housing. To understand the scale of this investment, Kalamazoo County collected construction costs from local developers as well as state and national reports. The results of this work indicate that construction costs for single-family homes range between \$300,000 and

\$500,000, duplexes are in a similar range but offer two housing units per building, mid-sized multifamily projects are slightly less expensive at approximately \$150,000-\$250,000 per unit, and low-and midrise apartments are even more cost-effective at \$125,000-\$200,000 per unit. This county report estimates a total investment needed of nearly \$2 billion to meet the future housing demands in the County, where the City of Kalamazoo holds a large portion of that need.

In line with the County study, HomeAdvisor indicates the average cost to build a home is around \$150 to \$200 a square foot. For a 1,500 square foot home, this calculates to \$225,000 to \$300,000 per house. But the average house in the core neighborhoods sells for around \$165,000, which is still more than many low-income families can afford. Without further financial incentives, developers will seek to build in other neighboring markets, which will further the need for affordable housing as the existing stock continues to age.

EXHIBIT D: SOUNDNESS OF APPROACH

i. What is your vision?

- *Proposed Activities*

The city is requesting \$2,832,500 in funding to address a broad range of housing and planning needs including new rental affordable housing, construction of new single-family homes, downpayment assistance for homebuyers, and planning assistance to develop a new fair housing plan. As the affordable housing need is so great in the city, it is important to provide options to low-income residents. The intent of the three housing programs is to support families making 80 percent or less of the area median income. Assistance with a new fair housing plan will provide direction to the city on future recommendations to remove barriers to affordable housing.

Rental Housing Project - \$1,000,000

The LIFT Foundation is working to secure funding and Low-Income Housing Tax Credits (LIHTC) for Hawthorne Park, which will be a new 36-unit apartment community. The project will be located near downtown Kalamazoo in the Edison Neighborhood within Census tract 11.00.

Hawthorne Park will target eleven of the 36 units to families earning less than 40 percent of the area median income. In addition, six of these targeted units will also be assigned Permanent Supportive Housing (PSH) rental vouchers through Integrated Services of Kalamazoo (ISK). This allocation will allow these six apartments to provide subsidized rent to residents that meet HUD’s definition of chronically homeless. Those applicants who have no income can qualify for housing with the PSH rental subsidy offered and anyone who qualifies will also receive supportive services through ISK.

The remaining units will be available to those earning 60 percent or less of the area median income and who may have a Section 8 voucher or other rental assistance subsidies. The allowance for rental subsidies is important to this project because many local landlords will not accept households with vouchers. If they do, they often raise their rental rates to a level that, even with a voucher, makes the unit unaffordable to the low-income family. This is why it is imperative that affordable housing opportunities like Hawthorne Park are supported in the city.

The project meets a CDBG national objective and offers a long-term benefit by providing affordable housing for a minimum of 20 years. If LIHTC is secured and renewed, this affordability period could be longer.

Single-Family New Construction Homebuyer Program - \$1,000,000

Kalamazoo Neighborhood Housing Services, a local nonprofit housing provider, developed a partnership with the Home Builders’ Association of West Michigan to create the Kalamazoo Attainable Homes Partnership (KAHP). This project builds new single-family homes for families at 80 percent or less of the area median income. The

partnership's goal is to: invest in Kalamazoo's neighborhoods with new construction; stabilize property values and make new construction economically reasonable to owners; infill vacant land where homes were demolished due to tax-foreclosure to support neighborhood connectedness; provide affordable options to neighborhood renters who desire homeownership; and, create energy efficient housing. To date, 19 homes have been constructed and sold in the city, six are currently under construction, and an additional 10 are planned.

To make these homes affordable, KAHP has reduced expenses in four main ways: lots are acquired from the Kalamazoo County Land Bank at a reduced cost; builders fees are reduced; the houses are designed to minimize the number of materials needed for non-functional features; and, KAHP partners with Consumers Energy to create all-electric, highly energy-efficient homes. Despite these cost saving measures, KAHP homes cost significantly more to build than market appraisal. Current costs to build a three-bedroom two-bathroom home is approximately \$270,000. Based on neighborhood markets, these homes sell for around \$165,000. The PRO-Housing funding would cover the construction gap of \$105,000 per home. Based on this calculation, it is expected that around eight or nine new homes will be constructed during the grant period.

The project meets a CDBG national objective and offers a long-term benefit by providing affordable housing for a minimum of 10 years. In addition, this program also provides a benefit to the neighborhood as it enhances the overall housing market by eliminating a vacant lot. It also improves the appearance of the neighborhood by changing a lot that could be deteriorated and an eye-sore into a functioning and productive use.

Homebuyer Downpayment Assistance and Housing Counseling Program - \$525,000

As stated, the average three-bedroom two-bathroom home in our core neighborhoods has an appraised value of around \$165,000. However, most of the low-income families that have been a part of KAHP program are only able to secure mortgages for about \$135,000. This \$30,000 gap is a significant hurdle to homeownership for any low-income family. Providing downpayment assistance subsidies offers opportunities to these families without impacting the market value of the neighborhood as the home is still appraised at \$165,000.

It is expected that this funding would support downpayment assistance to the KAHP program outlined above in the amount of \$30,000 for around 14 newly constructed homes. This deep subsidy is needed to allow low-income families making 80 percent or less of the area median income to have long-term affordability while still improving the overall neighborhood housing market.

The project meets a CDBG national objective and offers a long-term benefit by helping low-income families become homeowners. Each first-time homebuyer receives housing counseling from Kalamazoo Neighborhood Housing Services, who is the only HUD certified agency in Kalamazoo with coaches that are HUD certified. Each homebuyer is required to attend homebuyer education and have at least one meeting with the homeownership coach. However, typical homebuyers spend six to nine months receiving

coaching before they are mortgage ready. Additionally, a 10-year affordability period is secured with a deed restriction on the property.

Fair Housing Plan - \$50,000

The City of Kalamazoo's fair housing plan expired in 2022 and a new plan is desperately needed. Many of the recommendations of the existing plan have already been put in place or are underway, which includes: development of the Department of Equity, Diversity, and Inclusion; Civil Rights Board in 2020; a myriad of zoning changes to support affordable housing; update to the Fair Housing Ordinance; support of housing developers through grants and loans utilizing HUD, Treasury, and local foundation funds; lead abatement through a 2018 and 2022 Lead Hazard Reduction Grant; renovation of older homes with CDBG and HOME funding; and fair housing training through the Fair Housing Center of Southwest Michigan.

Direction on new approaches to fair housing is needed through community and housing organization input. The use of a consultant to assist the city will allow the small four person Community Development Division the ability to focus on managing existing grant compliance responsibilities.

This project is a planning activity and is not required to meet a CDBG national objective. However, it will provide long-term benefits to the city by outlining barriers to affordable housing and making recommendations to overcome those barriers.

Grant Administration - \$257,500 (or 10 percent)

Community Development staff will utilize 10 percent of the funds over the grant period. These funds will be used for oversight, compliance, and reporting on the funded projects.

- *Addressing Key Barriers to Affordable Housing Production*

As previously stated, the City of Kalamazoo has been working for a number of years to reduce the barriers to affordable housing, including changes to policy, zoning, and other supportive efforts to encourage production and preservation. However, one of the biggest remaining barriers to affordable housing in Kalamazoo is the gap between construction costs and the rents/sale prices that can be achieved in the local market. Because of this, there is no market incentive to construct affordable housing unless some type of gap financing can be provided. Without incentives, developers would only build in markets where rents and housing prices are going to provide the best return on investment.

According to a Bankrate analysis of data from the National Association of Home Builders/Wells Fargo Housing Opportunity Index, the median home price in the United States has increased roughly 30 percent while incomes have only grown by 11 percent in the last decade. The average rent for a two-bedroom unit in Kalamazoo is \$1,135 according to Rent.com. The average sale price for a three-bedroom home is \$207,000, according to Rocket Homes September Kalamazoo Housing Market Report, which equates to approximately \$1,654 a month with taxes and insurance. This is an increase of 13 percent from September of 2022. The median income in the city is \$43,509 per the 2022 American

Community Survey 1-Year Estimates. To not be cost burdened, a family making this income could afford \$1,087 a month for housing costs, which is less than either the average rents or monthly mortgage.

The construction of new rental and owner-occupied housing also provides more product to the marketplace, helping to reduce the lack of affordable housing barrier. According to HUD CHAS data, 50 percent of renters and 17 percent of owners within the city have a cost burdened greater than 30 percent of their income. This is further exacerbated for low-income families making 80 percent or less of the area median income. Of these families, CHAS data calculates 94.6 percent of renters and 89.4 percent of homeowners have a housing cost burden greater than 30 percent of their income. Providing additional units into the marketplace of the core neighborhoods will increase the variety of housing for these residents and potentially reduce their housing burden. Constructing new units on vacant properties also eliminates displacement of residents while allowing options for existing neighbors who wish to lower their housing cost burden but do not want to leave their community.

- *Comparison to Similar Proposals and Lessons Learned*

The City of Kalamazoo has been a CDBG entitlement community since the inception of the program in 1974 and a HOME participating jurisdiction for 31 years. We have been investing in gap financing for the development of low-income renter and owner-occupied housing since 1992. Because of this long history working with developers, we know the need for funding layering and leveraging to make affordable housing possible. Typically, projects that we work with have received some type of subsidy like a local Payment in Lieu of Taxes (PILOT), LIHTC, brownfield assistance, reduced builder's fees, private foundation support, etc. The layering and leveraging of all of these sources, including grant assistance through our federal programs, ensures that projects can be specifically aligned to families making 80 percent or less of the area median income.

Just in the past three years, the city has invested HOME, Treasury-ARPA, and local Foundation for Excellence funding into six renter and seven homebuyer projects, both new construction and rehabilitation. The city invested in a supportive service rental housing project call Lodge House, which is a 60-unit studio apartment complex focusing on the unhoused or very low-income households. Renovation work began in 2021 and the complex officially opened in October of 2022. This project required deep subsidies to support construction. Eight different funding sources were needed to make this project successful, including city, federal, and foundation funds, as well as a PILOT.

The city has supported the KHAP project for a number of years now, providing gap construction financing through the HOME Investment Partnership Program. Over the past three years, the city has provided funding for eight homes to be constructed. The partnership between Kalamazoo Neighborhood Housing Services, the Builders' Association, and funding from the city has been a positive alliance, which emphasizes the importance of collaboration to make affordable housing work. In addition, having

commitment from a number of builders in advance of funding was a lesson learned to ensure timeliness of construction.

The city is working to advance homeownership opportunities within the core neighborhoods as this was an expressed goal heard during neighborhood planning. The essential nature of the core neighborhoods is single-family residential, which was disrupted by demolition activities post the 2008 housing crash. Supporting single-family development as one part of an overall affordable housing strategy helps to preserve the character of these important core neighborhoods.

- **Alignment with Existing Planning Initiatives**

Our approach to provide gap financing to new construction of both renter and owner-occupied housing aligns with many of the planning initiatives already in place in the city. The changes to the Zoning Ordinance have opened up lots that were previously unbuildable to become available for new construction. Also, the allowance for residential development in all of the commercial districts has encouraged mixed-use and mixed-income apartment projects in walkable area of the city. Finally, the development of pre-permitted plans reduces the cost of construction by providing a set of plans that include the home designs, site plan, permits, and utility plans.

Supporting the development of affordable housing is a significant initiative of the City Commission through their allocation of Treasury-ARPA, Foundation for Excellence, CDBG, and HOME funding. In just the last two years, over \$9.3 million has been approved for the development of both rental and homebuyer projects. This has added a significant number of new units to the affordable housing options for low-income families.

ii. What is your geographic scope?

Most of the Census tracts in the city are designated as CDBG-eligible due to the number and geographic disbursement of low-income families. The city generally focuses affordable housing projects within the core neighborhoods that surround the downtown.

The rental project, Hawthorne Park, is planned in the Edison Neighborhood within Census tract 11.00 and is immediately adjacent to an opportunity zone in the city. Opportunity zones are designed to increase the amount of long-term capital investments in a low-income area. Affordable housing is a key component of this investment. According to HUD, Census tract 11.00 has a low-income rate of 61 percent and the Census indicates the percent of families living below the poverty level is 20 percent. For the Edison Neighborhood overall, 72 percent of families have incomes 80 percent or below the area median income and 26 percent live below the poverty level according to HUD and the 2021 American Community Survey 5-Year Estimates.

The single-family new construction project and the downpayment assistance program will support affordable housing city-wide with an emphasis in the core neighborhoods surrounding downtown. During the housing crash of 2008, a number of abandoned and blighted single-family homes were demolished in the core neighborhoods. The KAHP program is utilizing land acquired at a reduced

rate from the Kalamazoo County Land Bank to reuse and revitalize these vacant lots. Once constructed, the downpayment assistance program will help a low-income family purchase one of these homes. The largest majority of these vacant lots are found in the Eastside, Edison, Northside, and Vine neighborhoods, all of which are low-income and CDBG-eligible.

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

During the development of the current Consolidated Plan, the City utilized multiple techniques to ensure that engagement had a wide reach and open process that welcomed comments and ideas from all residents. Techniques used included; “living walls” so participants were able to provide feedback quickly and easily by jotting down comments on a large board tacked to the wall, pop-up engagement at existing events so that residents were met where they were already interacting, large community meetings, surveys both paper and electronic, and “meetings on the go” which were packets created to enable residents to facilitate their own meeting. Translators were at community meetings and surveys were also provided in Spanish to further ensure an inclusive and welcoming process. These efforts resulted in over 4,000 points of contact that were utilized to develop the Consolidated Plan.

Additional engagement occurred by a contractor that was hired through a grant from the Government Alliance on Race and Equity (GARE) to conduct qualitative and quantitative housing research in Kalamazoo. The intent was to better understand the housing experiences of Kalamazoo residents, especially the experiences of residents of color. The partners included the Michigan Department of Civil Rights (MDCR), City of Kalamazoo, Fair Housing Center of Southwest Michigan, Kalamazoo Community Foundation, and Interfaith Strategy for Advocacy & Action in the Community (ISAAC). Engagement for this project included community events, focus groups, conversations with service providers, and printed surveys. Over 700 completed surveys were received. Questions were also asked via housing question boards. Residents were asked to write comments regarding their experiences with housing on post it notes and place them on wall boards. The input from the community informed the priority strategies of the Consolidated Plan.

The city also has a Community Development Act Advisory Committee, which is a 13-member body made up of neighborhood representatives and city residents. The Committee is tasked to ensure citizen participation in all phases of the federal allocation process and to promote community development activities within the city.

Finally, the city has a list of public and private organizations and nonprofits that are contacted during the development of any consolidated plan, action plan, or final year-end report to HUD. This list currently consists of 63 organizations who are invited to participate and comment during the planning process. Of these organizations, 21 housing agencies were consulted and provided input on the housing strategies of the Consolidated Plan.

The required 15-day public comment period and public hearing were conducted for the submittal of this application.

iv. How does your proposal align with requirements to affirmatively further fair housing?

Every project proposed under this grant application will be supported by fair housing efforts and protections already established by the city. In addition, both developers have worked with the city on previous construction activities and both have affirmative marketing plans in place. The LIFT Foundation, who will be developing Hawthorne Park, has completed and submitted Form-HUD-935.2A Affirmative Fair Housing Marketing Plan (AFHMP) – Multifamily Housing as required for its HUD regulated properties. In addition, their fair marketing plan must be approved by the state to receive LIHTC.

The City of Kalamazoo initiated a Diversity, Equity, and Inclusion department, which supports the Civil Rights Board formed in 2020. The Board reviews allegations and violations of the local Non-Discrimination Ordinance and Fair Housing Ordinance. The Board also makes recommendations to the City Commission on how practices or policies that lead to discrimination can be changed.

The city's Fair Housing Ordinance supplements federal and state civil right laws by prohibiting discrimination and practices in the area of housing not addressed at that level. The ordinance covers actions taken because of an individual's source of income, status as a victim of domestic violence, prior arrests, or conviction record. This was a recommendation in the city's fair housing plan.

In an effort to distribute affordable housing throughout the city, the single-family new construction project and downpayment assistance program will be city-wide, with an emphasis on the core neighborhoods. Most of the available vacant lots for infill housing are found in the core neighborhoods as they were the areas of concentration for demolition during NSP. The new construction rental project will be located in the Edison Neighborhood and adjacent to an opportunity zone where new investment is encouraged. The construction of new affordable housing units is a recommendation within the city's fair housing plan.

New construction does not displace residents but will provide residents with more affordable housing options. Past Consolidated Annual Performance and Evaluation Reports (CAPER) show the racial composition of housing activities to be approximately 70 percent minority persons. This is particularly true in the core neighborhoods which have a higher concentration of minority households. The percentage of minority persons in the city based on total population is approximately 25 percent according to the 2020 Decennial Census. Outreach and inclusion of minority populations has been a successful part of the city's previous federal programs. In addition, people with disabilities will be accommodated by these programs. Hawthorne Park will construct 15 percent of their units as barrier free or Type A. The KAHP program builds the two-bedroom model to ADA standards and all other homes are constructed with wider hallways and stairways and wall stubbed plumbing for ADA alterations if needed.

The KAHP program has, and will continue to support, minority-owned businesses through their contracts and subcontracts for construction. Outreach for this program is conducted by Kalamazoo Neighborhood Housing Services and the Builders' Association. The city also has a minority- and women-owned business directory who are informed of potential projects that are out for bid.

Monitoring of the developers fair housing plans will be conducted prior to the start of the construction projects, as part of lease-up of the rental project and sales of the single-family homes, and during annual onsite monitoring visits. If issues arise related to fair housing, Community Development will utilize the Department of Diversity, Equity, and Inclusion to help resolve the issue. Resolution will be sought through discussion and negotiation and potentially a resolution team. If applicable and/or necessary, the Civil Rights Board will also be employed.

As previously stated, past renter and homebuyer programs shows the racial composition of housing projects to be approximately 70 percent minority persons. This percentage is expected for both the Hawthorne Park and KAHF programs. Both of these programs will help reduce barriers to affordable housing for minority low-income renters.

All of the units in the Hawthorne Park development will be open to households with vouchers and other rental subsidies. According to the National Institutes of Health (Sept. 2022), seven studies were conducted comparing low-income households with and without rental vouchers. Households with the vouchers reported increased housing quality, decreased housing insecurity or homelessness, and decreased neighborhood poverty. In addition, adults in voucher households had improved health care access and children who entered voucher programs under the age of 13 had improved educational attainment, employment, and income in their adulthood. For the single-family and downpayment assistance programs, housing counseling and coaching is available for a small fee as long as the family needs until they are mortgage ready. During the PRO-Housing grant period, the subgrantees will be required to provide quarterly reporting on beneficiaries of the programs. Evaluation of these reports to ensure persons of color are equitably benefiting from the programs will be the responsibility of city compliance staff. If a disparity is found, staff will work with the subgrantees to review, update, and apply their fair marketing plans.

v. What are your budget and timeline proposals?

Rental Housing Project – Hawthorne Park - \$1,000,000

Budget (estimates):

Sources	Funding
Primary loan	\$1,850,000
LIFT Foundation	\$1,000,000
Kalamazoo County Housing Millage grant	\$1,000,000
LIHTC equity	\$13,048,695
Good faith deposit	\$37,000
LISC assistance	\$28,775
General partner equity	\$100
PRO-Housing funding (city)	\$1,000,000
Total:	\$17,964,570
Uses	Costs
Acquisition costs	\$521,050
Hard costs	\$12,320,301
Other construction costs	\$786,240

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Sources	Funding
Soft costs (design, engineering, etc.)	\$1,522,570
Financing costs	\$1,045,118
Reserves, escrow, developer fee	\$1,769,291
Total:	\$17,964,570

Timeline (estimates):

Date	Milestone
December 1, 2023	Submit LIHTC application to MSHDA
February 15, 2024	Receive notification of LIHTC award
February 20, 2024	Close on construction loan and LIHTC
March 1, 2024	Construction commences
May 30, 2026	Certificate of occupancy received
June 1, 2026	Begin lease-up
January 30, 2027	Lease-up completed
February 1, 2027	Close on permanent financing
February 20, 2027	Provide final reporting to city

As the project size cannot be reduced, to move this development forward in its entirety full funding is needed. However, if a reduced amount was provided by the PRO-Housing grant, the developer and city would look for additional support. Potentially, further HOME funding could be reviewed depending on maximum subsidy allowances and if these dollars are available and not already committed to other projects. Also, the developer would likely need to try and locate additional private/foundation funding. However, the lack of support through PRO-Housing could stall this project for months, likely increasing construction costs.

Single-Family New Construction Homebuyer Program - \$1,000,000

Budget (estimates):

Sources	Funding
Proceeds from sales of homes	\$1,305,000
HOME Investment Partnership funding (city)	\$300,000
Consumers Energy	\$180,000
Department of Energy rebate	\$48,000
PRO-Housing funding (city)	\$1,000,000
Total:	\$2,833,000
Uses	Costs
Acquisition costs	\$14,400
Sale costs	\$135,000
Construction hard costs	\$2,439,600
Project delivery	\$244,000
Total:	\$2,833,000

Timeline (estimates):

Date	Milestone
March 1, 2024	Close on available land from Land Bank
April 30, 2024	Bid out first three houses to Builders' Association
November 1, 2024	First three houses completed
February 1, 2025	Bid out second three houses to Builders' Association
April 30, 2025	Close on the first three houses with low-income homebuyers
September 30, 2026	Second three houses completed
February 1, 2027	Bid out final three houses to Builders' Association
March 30, 2027	Close on the second three houses with low-income homebuyers
September 30, 2027	Final three houses completed
March 30, 2028	Close on the final three houses with low-income homebuyers
April 20, 2028	Provide final reporting to city

The number of homes constructed can be reduced if full funding is not provided. The city and the developer would review available funding and determine how many new homes could be constructed under this grant. However, this is a long-term project for both the developer and the city. Additional HOME funds are provided each program year, allowing for approximately three homes to be built. The PRO-Housing grant would allow us to have a greater impact in a shorter period of time, helping to fill that 370-unit gap of needed single-family homes.

Homebuyer Downpayment Assistance Program - \$525,000

Budget (estimates):

Sources	Funding
Developer's investment	\$25,000
PRO-Housing funding (city)	\$525,000
Total:	\$550,000
Uses	Costs
Downpayment assistance	\$500,000
Project delivery	\$50,000
Total:	\$550,000

Timeline (estimates):

Date	Milestone
June 30, 2024	Three closings on existing KAHP homes under construction
December 30, 2024	Three closing on existing KAHP homes under construction
April 30, 2025	Close on the first three houses under PRO-Housing grant
March 30, 2027	Close on the second three houses under PRO-Housing grant
March 30, 2028	Close on the final three houses under PRO-Housing grant
April 20, 2028	Provide final reporting to city

The number of homes receiving downpayment assistance can be reduced if full funding is not provided. The city and the developer would review available funding and determine how many

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new homebuyers could receive subsidies under this grant. However, this is a long-term project for both the developer and the city. Additional CDBG funds could be provided each program year, allowing for approximately three to five homebuyers to be assisted. The PRO-Housing grant would allow us to have a greater impact in a shorter period of time, helping to fill the subsidy gap to low-income homebuyers.

Fair Housing Planning - \$50,000

The \$50,000 budget is needed to secure a consultant to assist the city with developing a new fair housing plan. The full \$50,000 will go towards this goal.

Timeline (estimates):

Date	Milestone
May 30, 2024	Complete a Request for Proposals procurement process
June 1, 2024	Consultant/city begins community and housing organization outreach
October 30, 2024	Outreach is completed and plan development begins
April 30, 2025	Draft fair housing plan is completed for public comment
June, 2025	Public hearing is held to adopt new fair housing plan
July 2025	Final documents are provided to the city

If PRO-Housing funding is reduced by 50 percent, the city intends to continue to fund this 100 percent from the available grant. Due to staffing concerns, consultant assistance is necessary to complete this plan in a timely and efficient manner.

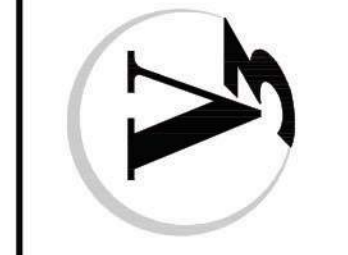
Grant Administration - \$257,500 (or 10 percent)

Community Development staff will utilize \$257,500 or 10 percent of the funds awarded over the grant period. These funds will be used for oversight, compliance, and reporting on the funded projects. If funding is reduced, the amount awarded for grant administration will be similarly reduced.



SITE REDEVELOPMENT PLAN
HAWTHORNE PARK
 CITY OF KALAMAZOO KALAMAZOO COUNTY, MICHIGAN

460 Still Street
 Suite 300, PMB #20
 South Bend, IN 46601
 574.360.7674 phone
 www.v3co.com



DRAWING NO.

EX 2

PROJECT NO.	220034
PROJECT MANAGER	BMC
DESIGNED BY	MG
DRAWN BY	RI

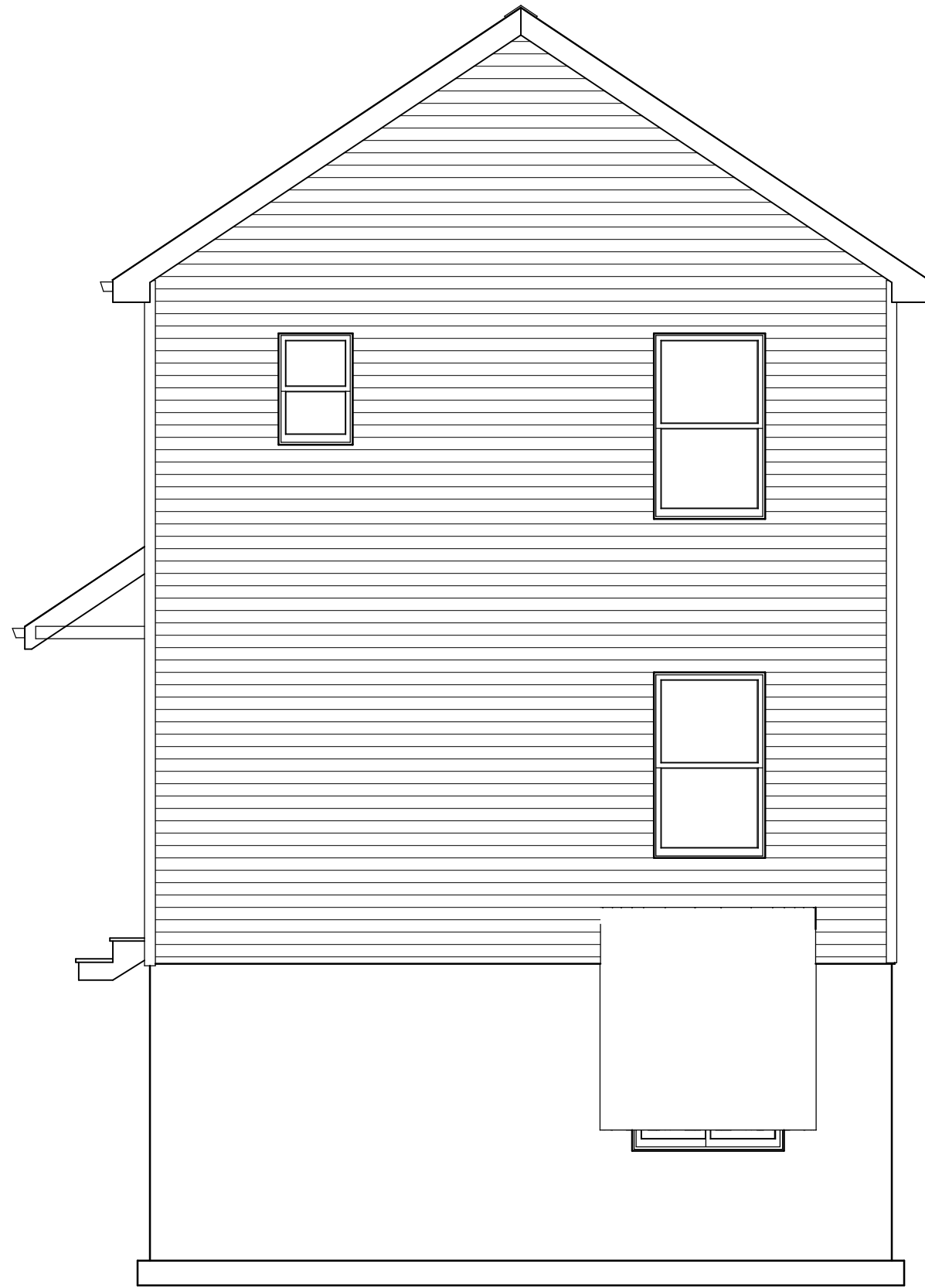
ORIGINAL ISSUE DATE: JUNE 19, 2023	
NO.	DESCRIPTION

REVISIONS	
NO.	DATE

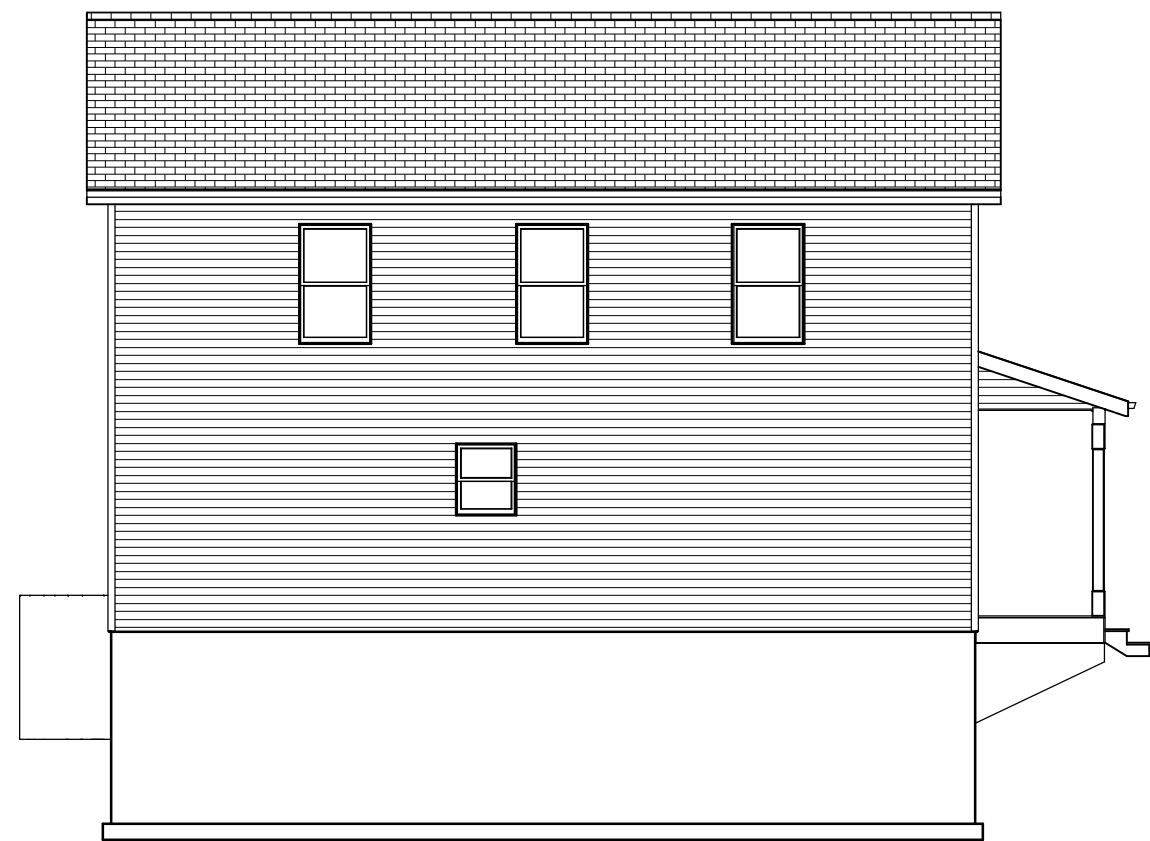
NO.	DESCRIPTION



FRONT ELEVATION 1/4" = 1'



REAR ELEVATION 1/8" = 1'



LEFT ELEVATION 1/8" = 1'



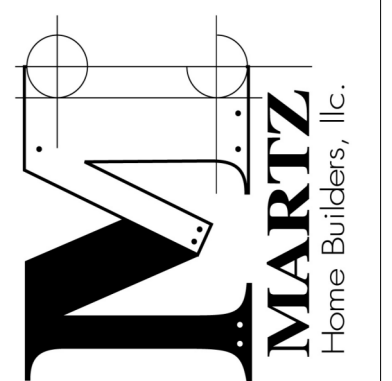
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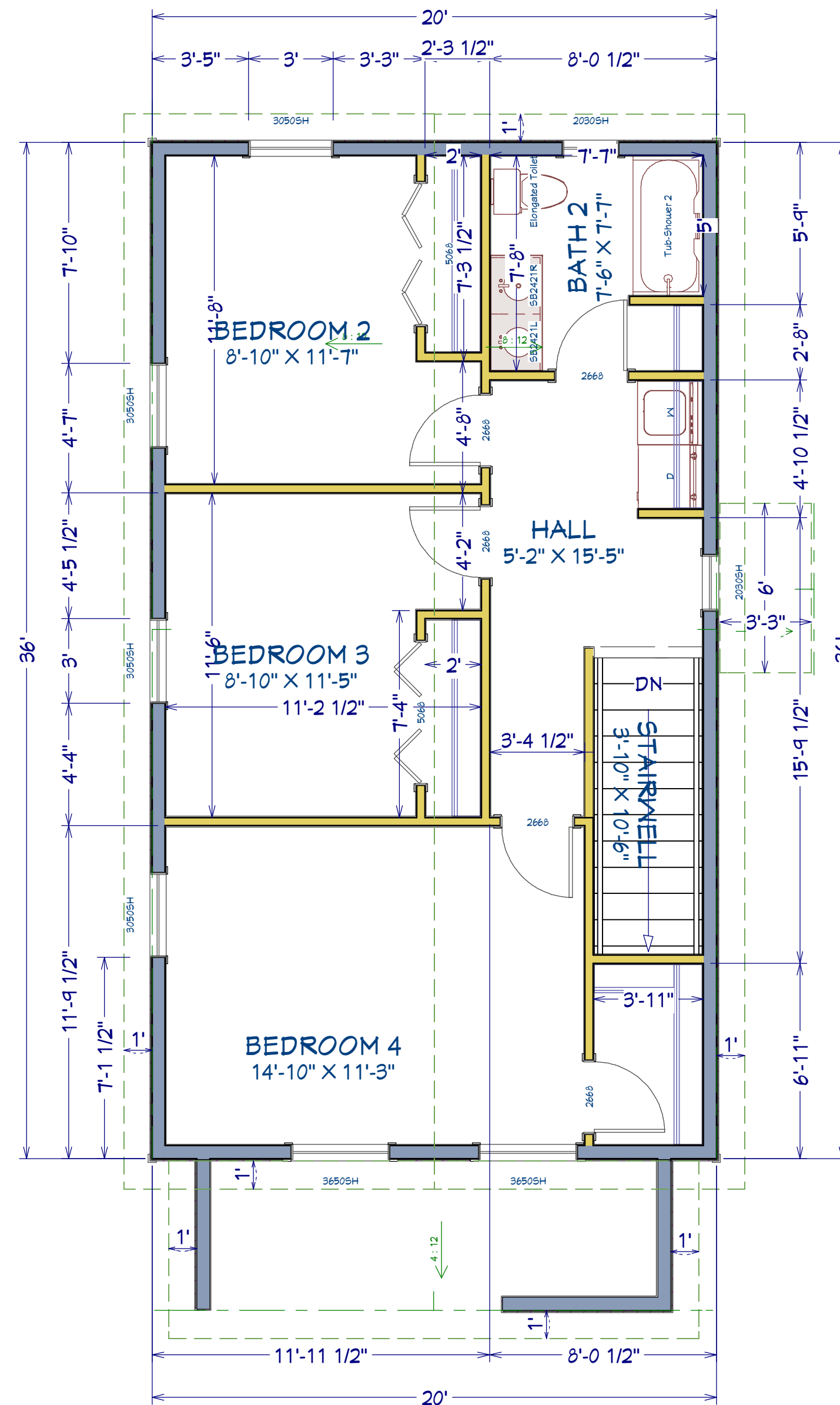
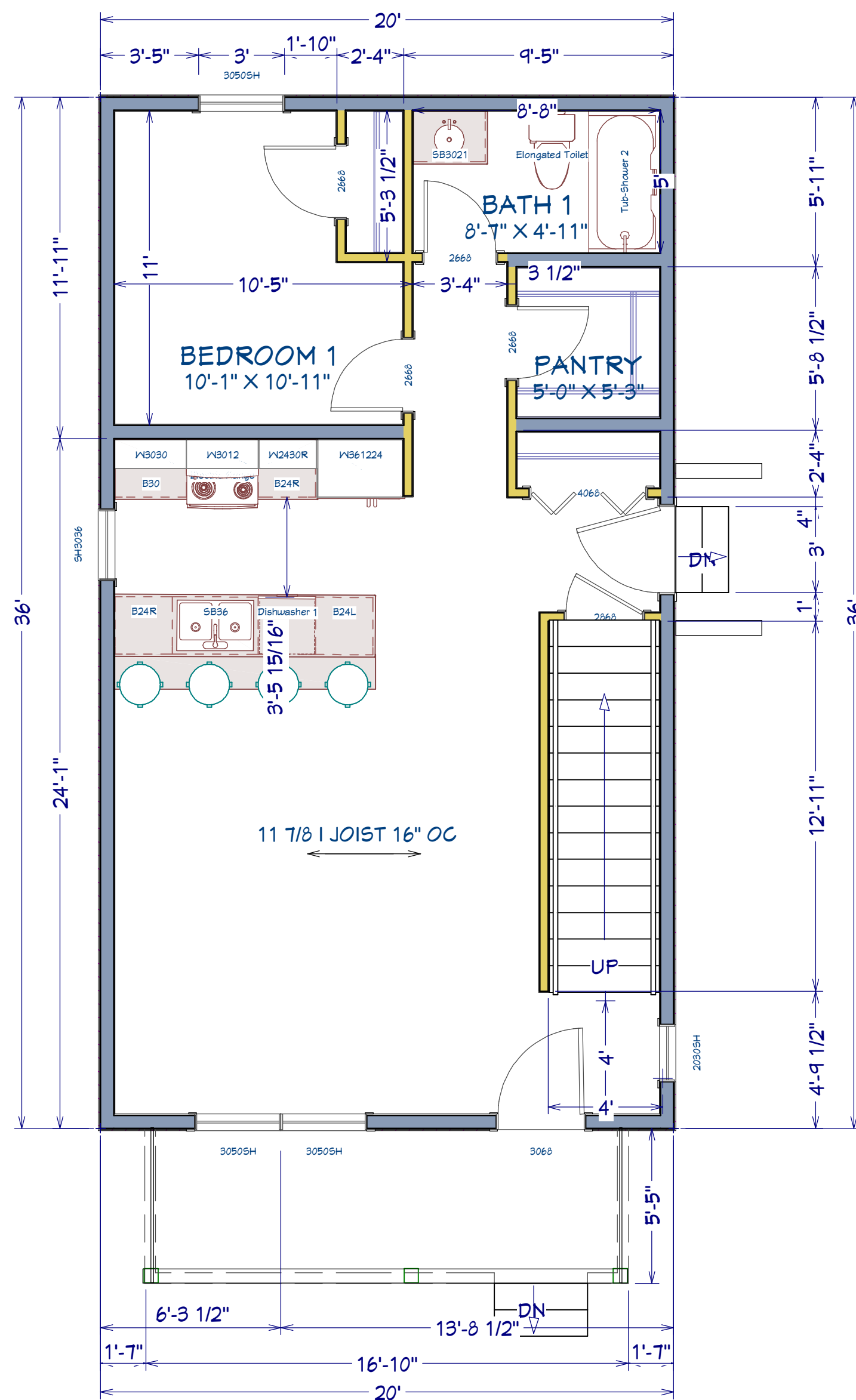
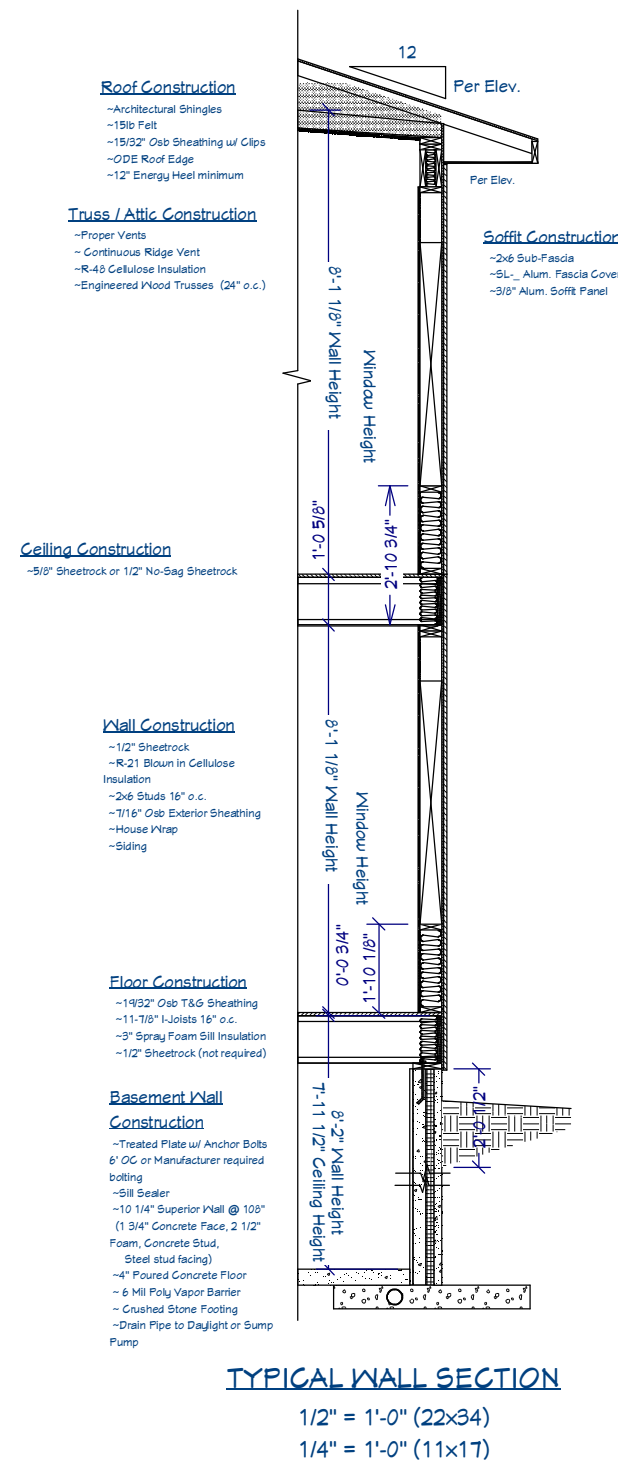
MARTZ HOME BLDG., L.L.C.
7545 S. 10th St.
Kalamazoo, MI. 49009
(269)207-2920
Drawn by: DLM

Page #
1

Scale
1/4" = 1'

Plan #
**KNHS 2 Story
4 Bedroom**





MAIN & 2ND FLOOR PLAN

MARTZ HOME BLDG., L.L.C.
7545 S. 10th St.
Kalamazoo, MI. 49009
(269)207-2920
Drawn by: DLM

Page #
2

Scale
1/4" = 1'

Plan #
**KNHS 2 Story
4 Bedroom**

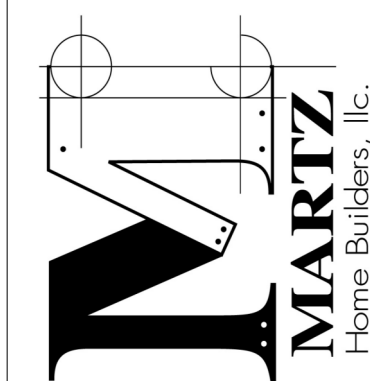


EXHIBIT E: CAPACITY

i. What capacity do you and your Partner(s) have? What is your staffing plan?

The City of Kalamazoo will lead implementation of the proposed activities. The city has been a CDBG entitlement community since the inception of the program in 1974 and a HOME participating jurisdiction for 31 years. Current annual allocations include approximately \$1.6 million in CDBG and \$500,000 in HOME. The city utilizes local housing nonprofits as subgrantees to fulfil the goals and strategies of the Consolidated Plan and annual Action Plan.

It is the city's intent to utilize two subgrantees for the construction projects and downpayment assistance program. Both of these subgrantees have been long standing housing providers in the Kalamazoo area. For the development of the fair housing plan, staff intends to conduct a request for proposals process through the city's Procurement Department. All HUD required procurement standards will be met. The Community Development team will handle the ongoing management of the grant including development of agreements, reimbursement to subgrantees, monitoring of progress, and administration of proposed activities. Key Community Development personnel, which is a subsection of the Community Planning and Economic Development Department, is listed below:

- Sharilyn Parsons, Community Development Manager – Sharilyn will serve as the overall Project Director for the program. Sharilyn has over 20 years of grant management experience and 18 years working in housing. She is the manager of the Community Development Division and works closely with HUD in ensuring compliance with federal regulations. Her additional responsibility is the City of Kalamazoo's Housing Development Fund, allowing her to interact with the housing development community to generate new affordable units in the city. Sharilyn will provide dual controls for the grant, completing quarterly reviews of activity progress.
- Julie Johnston, Compliance Specialist II – Julie has over 20 years of experience managing HUD grants, particularly CDBG, and serves as the city's senior compliance specialist. She will be the Project Manager for this grant. Her responsibilities will include oversight of agreements, monthly monitoring of project activities, management of budgets, ensuring beneficiary data, reporting to HUD, and final closeout of all activities. She will work to ensure DRGR data is uploaded and all HUD requirements are being met.
- Alex Hoffmann Zobel, Compliance Associate – Alex will assist with monthly requests for reimbursement and quarterly reports, completing an initial review before submittal to Julie and Grants Compliance Finance Specialist. He will also be kept in the loop on project activities to act as back-up for the grant. Alex is relatively new to HUD grants but has substantial experience with the environmental review process.
- Grants Compliance Finance Specialist – This existing position is currently vacant but is expected to be filled before the grant term begins. This position will operate as the Fiscal Officer for the grant. It will manage the payments to subrecipients, draws from DRGR, and will help to maintain accurate budgets. The interview process has already begun for this position and is planned to be filled before the end of the year.

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- Community Development Secretary – This is also an existing position with the Community Development team that is in the process of being filled. The Secretary position will provide administrative support to the Community Development team through the duration of the grant.

All key staff/positions noted above are full time employees with the city. The larger Community Planning and Economic Development Department is managed by a Director, Deputy Director, and four division managers. Currently, there are 48 positions and 46 employees within the department. Julie Johnston, Compliance Specialist II and Alexander Hoffmann-Zobel, Compliance Associate were the internal city staff who wrote this application.

As stated, the City of Kalamazoo is an entitlement community to HUD. As a participating jurisdiction, the city is eligible to submit an application under this grant. The City Commission, the elected representatives of the people of Kalamazoo, will vote to accept the grant if funds are awarded. The City Commission provides leadership and policy direction for the community and all municipal government activities. Through the development of an agreement between the city and our subgrantees, which will be reviewed and approved by the city's Legal Department, the required set of rules and regulations for the funding will be established.

The city plans to enter into agreements with two subgrantees that have an established history of housing development and performance with the city. If funding is secured for both the rental and single-family new construction, there is no expectation that either subgrantee will fail to complete their activity. However, if that does occur, the city has established relationships with other housing developers who could step in. For the fair housing plan, the city will complete a procurement process that will provide full and open competition to ensure an award is made to the most responsible firm whose proposal provides the best outcomes.

The implementation of the single-family new construction (Kalamazoo Attainable Homes Partnership) and downpayment assistance programs will be managed by Kalamazoo Neighborhood Housing Services. The Kalamazoo Attainable Homes Partnership will undertake the construction of each new single-family home to provide affordable housing to families making 80 percent or less the area median income. This partnership will be responsible for bidding out the project, ensuring reasonable construction costs, and quality construction. Kalamazoo Neighborhood Housing Services will also be responsible for the downpayment assistance program, which includes housing counseling and coaching to ensure families are mortgage ready. They are the only local nonprofit provider of HUD certified housing counseling. Finally Kalamazoo Neighborhood Housing Services will be responsible to ensure program progress/tracking, grant reporting requirements, manage costs related to the project, and submit monthly/quarterly reporting to the city.

Kalamazoo Neighborhood Housing Services has managed various HOME and CDBG grants in partnership with the City of Kalamazoo for over 40 years, including downpayment assistance and new construction. Their current procurement, Section 3, affirmative marketing, and reporting policies are all aligned for adherence to federal and local regulations and requirements. All accounting is verified by SeberTans, a local accounting firm, and the nonprofit has a single audit conducted annually with a specific focus on adherence to both financial and procedural federal regulations.

The LIFT Foundation will manage the development of the Hawthorne Park affordable apartment project. Additionally, LIFT will operate and maintain the newly constructed multi-unit facility. The LIFT Foundation itself does not have any paid staff and instead contracts for the services it needs with Lockhart Management & Consulting. There will be three Lockhart employees that will manage the development success of Hawthorne Park: Lisa Wilcutt, Alan Sylvester, and Amy Avis. Lisa Willcutt will be the project manager on the Hawthorne Park project. Ms. Willcutt has assisted in the development of several affordable housing projects. One such example is the redevelopment of New Village Park, a 152-unit project-based Section 8 LIHTC property. Alan Sylvester will serve as backup to the project manager. Mr. Sylvester has over 50 years of experience and will fill in for Ms. Willcutt if she is unavailable. Finally, Amy Avis will be responsible for the financial reporting. Ms. Avis has a Bachelor of Business Administration in Accountancy and is responsible for the financial reporting requirements of the entire Lockhart portfolio. She has worked in the accounting and property management industry for 30 years. Currently, there is an administrative position that directly assists Ms. Willcutt that is in the process of being filled by an existing site employee working at one of LIFT's properties. The employee has already taken on some responsibilities, i.e., budget writing, taking meeting minutes, but will fully transition to her new position by the end of the year.

The City of Kalamazoo developed an Analysis to Impediments to Fair Housing plan for 2019-2022. This plan was the result of cooperation between the Michigan Department of Civil Rights, Kalamazoo Community Foundation/Truth, Racial Healing and Transformation, Fair Housing Center of Southwest Michigan, and Interfaith Strategy for Advocacy & Action in the Community. Our plan analyzed data, contributed in part by input from the community, to determine the possible existence of obstacles to fair housing choice based upon race, religion, sex, color, national origin, disability, or familial status. During research, the city found that core impediments to fair housing in our community were affordability, accessibility and safety, and systemic issues such as long term historical and cultural barriers. In efforts to impact impediments to fair housing, the city has chosen to direct greater energy towards programs that focus on homeownership, home repair, and affordability for families living within the core neighborhoods, which have concentrations of minority households.

The city finances a Diversity, Equity, and Inclusion Department which acts as a liaison with the City's Civil Rights Board. In this role, staff work closely with other departments to ensure the values of diversity are embedded throughout the functions of city operations. This department evaluates public programs as well as facilitates education and training for staff.

The LIFT Foundation, who will be developing Hawthorne Park, has completed, and submitted Form-HUD-935.2A Affirmative Fair Housing Marketing Plan (AFHMP) – Multifamily Housing as required for its HUD regulated properties. In addition, their fair marketing plan must be approved by the state to receive LIHTC for the project. LIFT has committed to performing continuous outreach to maintain a well-balanced waiting list that will assure the meeting of the affirmative marketing goal at all times. They will also begin fair housing marketing efforts with respect to target populations at least 120 days prior to anticipated initial occupancy of Hawthorn Park.

Kalamazoo Neighborhood Housing Services has established a staff-led diversity, equity, and inclusion committee in 2020. To ensure progress of the committee, a partnership with Michigan Nonprofit Network was formed. Since that time, the committee progressed more productively in policy review and the completion of a survey to guide future diversity, equity, and inclusion work. Senior leadership has been trained and the organization adopted communication and team-building practices to foster inclusivity and more fully honor diverse perspectives and experiences. Currently, Kalamazoo Neighborhood Housing Services is working on updating its strategic plan with their Board and staff. It is the intent of the organization to further align the committee goals and recommendations with the mission, vision, and values established in the strategic plan.

EXHIBIT F: LEVERAGE

i. Are you leveraging funding or other non-financial contributions?

Leveraged funds are dedicated to support the PRO-Housing grant. At this time, we have commitments for \$2,028,775, which is 74 percent of the \$2,832,500 grant. If the expected funds come to fruition, we will have increased our leveraged dollars to over five times the requested grant.

Committed Leveraged Funds

Sources	Funding
<u>Hawthorne Park</u>	
LIFT Foundation	\$1,000,000
Kalamazoo County Housing Millage grant	\$1,000,000
LISC assistance	\$28,775
Total:	\$2,028,775

Expected Leveraged Funds

Sources	Funding
<u>Hawthorne Park</u>	
LIHTC equity	\$13,048,695
<u>Kalamazoo Attainable Housing Partnership – SF New Construction</u>	
Consumers Energy	\$180,000
Department of Energy rebate	\$48,000
Total:	\$13,276,695

**Grant Agreement Between
KALAMAZOO COUNTY
and
LIFT FOUNDATION**

THIS AGREEMENT is made and entered into by and between Kalamazoo County (the “County”), and LIFT Foundation, A Nonprofit Housing Corporation (“Grant Recipient”) (collectively “Parties”) as of July 18, 2023 and shall continue through August 2025 (the “Performance Period”).

The Grant Recipient agrees to undertake, perform, and complete the following project:

Construct Hawthorne Park which will be a 100% affordable Low Income Housing Tax Credit multifamily apartment community with 36 one, two and three bedroom apartments.

These services are more specifically described in Attachment A-Project Scope.

The County has approved an award of \$1,000,000.00 (“Grant Award Funds” or “Grant Award”) to the Grant Recipient for eligible activities.

It is the intention of the Parties to this Agreement that all activities described herein shall be for their mutual benefit. The terms and conditions of this Agreement shall survive the Performance Period and shall continue in full force and effect until the Grant Recipient has completed and is in compliance with all the requirements of this Agreement.

This Agreement is exclusive of and is distinguished from all previous agreements between the Grant Recipient and the County and contains the entire understanding between the Parties as to the Project Scope.

In consideration of the mutual promises and dependent authorizations, the Parties agree as follows:

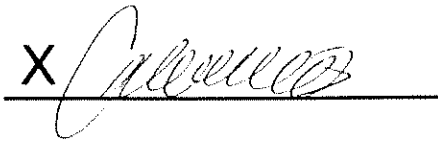
1. **Interpretation.** The County retains jurisdiction over the interpretation of this Agreement, including all Terms and Conditions. By executing this Agreement, the signatories in no way bind the County other than for purposes of funding the Grant Award, and with respect to its specific obligations set forth herein.
2. **Source of Funds.** The County has appropriated funds from the County’s Housing Millage for the Grant Award.
3. **Reimbursement of Eligible Use of Funds.**
 - 3.1 This is a cost reimbursement agreement. County shall reimburse the Grant Recipient for allowable costs incurred in the satisfactory performance of work hereunder in an amount not to exceed \$1,000,000.00, subject to legality of the expenditures, availability of funds, and appropriate budget authority.
 - 3.2 Any advance payment under this Agreement is subject the following requirements: The amount of advanced funds may not exceed the expected cash needs of the Grant Recipient within the first ninety (90) days of the term of this Agreement. If an advance

The following documents are incorporated and made part of this Agreement:

1. Attachment A – Project Scope.
2. Attachment B – Grant Award Budget.

LIFT Foundation, A Nonprofit Housing Corporation, a
Michigan nonprofit corporation

Kalamazoo County

X 

X 

By: Carole McNeese

By: John Taylor

Title: President

Title: Board Chair

7.18.23

Address: 2725 Airview Blvd., Suite 202, Kalamazoo,
MI 49002

Address: 201 West Kalamazoo Avenue, Kalamazoo
MI 49007

Date:

Date:

Approved as to form on behalf of KALAMAZOO
COUNTY GOVERNMENT
CORPORATION COUNSEL
By: Angelina M. Barnes
Date: June 15, 2023

**LIFT FOUNDATION,
INTERFAITH HOMES, NEIGHBORHOOD APARTMENTS,
DOUGLAS APARTMENTS, PORTAGE PINES,
GLADYS STREET APARTMENTS,
AZURE HEIGHTS, HEATHER GARDENS, AND
NEW VILLAGE PARK**

**MEETING MINUTES
January 28, 2020**

Board Members Present: David Anderson, Steve Hassevoort, Dan McGlenn, Carole McNees, Jodi Milks, Rosalie Novara, Stacey Randolph-Ledbetter, Dee Velkoff, Michael Williams and Claudia Wink-Basing

Board Members Absent:

Lockhart Management Staff Present: Melissa Dillon, Melanie Gildea, Alan Sylvester and Lisa Willcutt

President Velkoff called the meeting to order at Interfaith Homes in apartment 1046C at 12:14 pm.

Minutes for the November meeting were approved. There was no meeting in December due to the holiday.

Motion to accept November minutes by Wink-Basing

Support by McNees

Motion approved

1. Meeting Opener

Willcutt shared that the meeting was being held in apartment 1046C so that Board members could see a sample unit. The unit that was selected happened to be a two bedroom the barrier-free unit. There are two newly converted barrier-free units on the property and, with the refinance at Interfaith Homes, there may be additional barrier-free units added.

Sylvester shared that some of the LIFT Board members surprised Brenda Earhart by attending a CAPS meeting and presented her with a recognition for her service. Earhart recently left the Board after serving more than twenty years. Sylvester shared the thank-you note written by Earhart.

2. Truth, Racial Healing & Transformation (TRHT) check-in

The TRHT framework is inspired by truth and reconciliation processes that have taken place around the world, and it addresses issues ranging from cultural to more tangible transformations in institutions and policies. Kalamazoo is one of 14 sites hosting this innovative work with more than 150 individuals and organizations that have been engaged locally so far. Randolph-Ledbetter reported that the National Day of Racial Healing took place on January 21, 2020 at the Girl Scouts Building in Kalamazoo. This was a family-

6. Authorizing Resolutions

Willcutt shared the Resolutions of the Board of Directors of Azure Heights Nonprofit Housing Corporation as an example to the Board. This document states that the Board of Directors of the Corporation has determined that it would be its best interest of the Corporation for Dee Velkoff, President of the Corporation, and David F. Anderson, Vice President of the Corporation, to be authorized on a continuing basis, to sign certain documents on behalf of the Corporation. This would allow both Velkoff and Anderson to sign any and all documents, for and on behalf of the Corporation, required for rent/utility allowance adjustments, REAC inspection corrections and the filing of HUD Form 2530. This document also states that it is further resolved that any prior actions taken by the Corporation or one of its officers on behalf of the Corporation moving forward is ratified and affirmed by the Board of Directors of the Corporation. The resolutions have been prepared for all properties (Azure Heights, Douglas Apartments, Gladly Street Apartments, Interfaith Homes, Neighborhood Apartments Portage Pines and LIFT Foundation on behalf of Heather Gardens and New Village Park).

*Motion to accept the updated Resolutions of the Board of Directors by McGlenn
Support by Milks
Motion Approved*

7. Board Retreat

Velkoff shared that she will be sending an email for dates and ideas for an upcoming Board Retreat. Her suggestion to the Board was to dedicate one day to going off-site to tour the properties followed by a discussion of the goals for LIFT. The discussion may be held at the Kalamazoo Community Foundation as they allow nonprofits to use portions of their space. Then, there may be a second day that would consist of a half-day on Truth, Racial Healing, and Transformation activities.

8. Future Development

Willcutt requested a second option extension for the Bronson Corporation/Lake Street properties be approved.

*Motion by Anderson
Support by Milks
Motion Approved*

Velkoff shared that Willcutt prepared a cash flow projection for LIFT Foundation over the next five years. From this, it was determined that LIFT could afford to contribute \$1,000,000 to fill the gap at Hawthorne Park. Velkoff's thinking was that we may want to show the foundations we are applying to that the Board has committed \$1,000,000 toward this project. As Willcutt approaches these foundations for grant money, they will see that LIFT is contributing to the project as well. The Board suggested voting on the total **funding of \$1,000,000 toward Hawthorne Park.**

Motion by McNeese

Support by McGlinn
Motion Approved

Anderson shared that intergenerational poverty is a big concern. He suggests aligning this with the Hawthorne Park project which includes things like the Kalamazoo Promise. McGlinn suggested doing some research on how to best impact intergenerational poverty.

The meeting was adjourned at 1:31 pm.

Submitted by Melanie Gildea



March 23, 2020

David Anderson, Executive Director
LIFT Foundation
2725 Airview Blvd
Kalamazoo MI 49002
danderson@kazooemh.org

Re: **LISC's Recoverable Grant PA #43083-0005**

Dear Mr. Anderson:

As set forth in Paragraph 1 of the Recoverable Grant letter from the Local Initiatives Support Corporation ("LISC") to LIFT Foundation ("Grantee" or "CDC"), dated **March 28, 2019**, the Recoverable Grant in the amount of **\$36,000** was provided to cover the pre-development expenses.

LISC disbursed **\$28,775** of the Recoverable Grant funds to the Grantee, such funds being repayable to LISC on **December 31, 2019**. To date, LISC has received repayment of \$0 of the Recoverable Grant funds. A total of **7,225** in unused funds was deobligated from the Grantee in LISC internal systems.

Based on information received from Lori Kendall, Assistant Program Officer for Michigan LISC. LISC has determined that the Grantee should not be required to repay the balance of the Recoverable Grant. As a result, effective immediately, LIFT Foundation is relieved of all liability, obligation and responsibility of any nature whatsoever to repay the Recoverable Grant. LISC certifies that the Recoverable Grant has not been sold, assigned, pledged or otherwise transferred to a third party.

If the Grantee is in a position to do so in the future, LISC would appreciate LIFT Foundation in good faith paying LISC an amount equal to the forgiven portion of the Recoverable Grant. However, this request is not intended in any way to affect the forgiveness of the Recoverable Grant set forth in the immediately preceding paragraph. LISC wishes you success with your future endeavors.

Sincerely,

Vanessa Ryan Digitally signed by Vanessa Ryan
Date: 2020.03.24 09:27:37 -04'00'

LISC Officer

EXHIBIT G: LONG TERM EFFECTS

i. What permanent, long-term effects will your proposal have? What outcomes do you expect?

The proposed Hawthorne Park project will deliver 36 new affordable units that will be located near downtown Kalamazoo in the Edison Neighborhood. This new construction apartment community focuses on low-income families, with units targeting 30 to 60 percent of the area median income. Seven units will receive project-based vouchers, which can support households with no incomes. The remaining units will be available to vouchers or other rental subsidies. This project will have a long-term effect of providing affordable housing near the downtown area, which is both walkable and have public transportation.

The proposed single-family construction program will deliver nine new affordable homes within the core neighborhoods of Kalamazoo. These new units will increase homebuyer opportunities, bolster our housing market, and increase the number of affordable options for city residents. The long-term effect of this project will be a contribution to the health of the cities' housing market, permanent housing for low-income residents, the reuse of vacant lots within the core neighborhoods, and the generation of asset wealth for families.

The downpayment assistance program will help 14 individuals/families who are first-time buyers purchase a new home. Income-qualified participants will receive up to \$30,000 to ensure the final mortgage is one that is affordable over the long term. In addition, the downpayment assistance program contributes to the improvement of the neighborhood housing market by allowing the low-income family to purchase the home without impacting the appraised value of the home. The higher appraised value raises the overall housing market for the entirety of the neighborhood.

Fair housing technical assistance will provide the city with an updated fair housing plan. As previously stated, many of the recommendations of the existing plan have been put in place, providing long-term improvements to the city's approach to equity, diversity, and inclusion. HUD has identified the aim of affirmatively furthering fair housing with examining barriers to equal opportunity, setting goals to overcome those barriers, and ensuring fair housing choices for individuals with protected characteristics within a community. Utilizing PRO-Housing funds to develop a new plan will allow for significant research and outreach to understand the continuing barriers facing Kalamazoo residents. From this effort, a new set of recommendations can be developed with a list of goals to be achieved by City Commission, management, and staff. The long-term effect of developing this workplan will be continued improvements towards achieving housing equality.

The greatest roadblock to developing new affordable housing units is the availability of financing and subsidies. Extrapolations from the Kalamazoo County Housing Plan revealed the need for over two thousand new units to meet housing needs in the city over the next 10 years. While financing for market rate housing is available, layering enough financial support for affordable housing continues to be a barrier that is unfortunately expected to persist even with the funding of our proposed activities. However, each activity is intended to make a meaningful contribution to the increase in available affordable units and the overall health of our housing markets.

The measures taken by these projects are intended to provide housing options for low-income households while potentially reducing their housing cost burden. The Hawthorne Park project will provide affordable housing for a minimum of 20 years, with a possible longer affordability period if LIHTC is secured. The new single-family construction and downpayment assistance programs both aim to increase the long-term wealth of the household, as well as providing a new homeowner who is invested in their neighborhood.

The new construction projects have also considered community resiliency by focusing on building near downtown and in the core neighborhoods. Public buses are readily available allowing households to decrease transportation costs or have access to transportation that many not have been previously available. In addition, public bus routes provide additional opportunities for employment outside of the immediate neighborhood in which the residents live. The new units will be infill on existing vacant lots, which reduces urban sprawl and provides more efficiencies to already available city infrastructure. The location of the core neighborhoods near downtown Kalamazoo provides access to employment, public schools and public-school buses, Kalamazoo Public Library both the downtown and Edison neighborhood branch, Kalamazoo County Health and Human Services, and Michigan Department of Health and Human Services.

The new single-family units will meet several environmental energy standards. Each home will be equipped with energy star refrigerators and dishwashers; thermostats will be programmable using wi-fi; maximum efficiency heat pumps and water heaters will be installed; and each home will be properly insulated. All homes will be built to Zero Net Energy Standards with installed conduits making them solar ready upon purchase.

The Hawthorn project will be built to include energy efficiency. Additionally, a special water feature will be installed for watershed on the property.

Ultimately, the success of the PRO-Housing grant for the city would be the development of new affordable housing units and guidance on future goals related to fair housing. The new affordable units will give housing options to low-income residents by increasing choice in the housing market. Providing more options also offers opportunities to reduce housing cost burden on the most financially vulnerable households. The rental units will particularly increase the number of available units for voucher and rental subsidy holders. The new single-family homes and downpayment assistance programs will increase homeownership in the city by providing access for low-income families at a price their incomes can afford. Homeownership through the downpayment assistance program allows the low-income family to build equity through an appreciating investment without destabilizing the housing market.