CITY OF DETROIT

**FY 2022 NOFO RESPONSE – SUPPLEMENTAL FUNDING REQUEST**

GREATER CORKTOWN AREA

SUBMITTED: FEBRUARY 3, 2023

## A THRESHOLD REQUIREMENTS

1. **Resolution of Civil Right Matters**

   At the time of application submission, the City of Detroit is not currently working to resolve any outstanding civil rights matters. In the event that any complaints are made to the City of Detroit, the Civil Rights Inclusion Opportunity Department's Civil Rights Division will respond.

2. **Affirmatively Furthering Fair Housing**

   The housing program outlined in this application intends to uphold and comply with the Fair Housing Act and its implementing regulations. The City of Detroit's 2020-2024 Consolidated Plan outlines a commitment to "affirmatively further fair housing choice" through the investment of Community Development Block Grant and HOME Investment Partnership dollars - including those used to fund phases within this Transformation Plan's housing strategy.

3. **Timely Submission of Applications**

   Please see the Grants.gov Time Stamp for Application Submission by 11:59 pm 2/6/23.

## B FINANCIAL NEED

***Changes in financial projections***

The Total Development Cost for Detroit's CNI housing phases has increased by 58% from the initial submission made December 16, 2020. At the time of application submission, the total development cost for all phases totaled $216,410,608, with no financing gaps. As of

December 2022, total development costs across all phases now total $342,520,831. This increase is largely explained by three factors: 1) changes in market conditions; 2) unforeseen infrastructure costs associated with prolonged disinvestment in North Corktown; and 3) a strategic decision to create multiple sub-phases within rental phases to access more equity and minimize financing gaps. The City's Housing Implementation Entity is a joint venture between American Community Developers (ACD) & The Community Builders (TCB), and both developers have observed and responded to similar changes across their respective phases. As costs have increased over time, the City and the HIE have worked together consistently to address the increases, with solutions chasing the continually emerging gaps. The team has collectively solved for $113 million of the approximately $126 million overall TDC increase, leaving an outstanding gap of $13,405,175.

***Market changes***

The biggest challenge the City and the HIE face is the global escalation in cost of construction supplies and material, with initial increases attributable to COVID supply chain issues and ongoing escalation due to inflation, high energy costs and labor shortages. Updated cost estimations and trade payment breakdowns received to date for Choice housing phases show hard cost increases alone of 56% since the City's initial application. For Phase 1, Left Field, hard costs increased from $11.1 million in December 2020 to $15.9 million by February 2022. The largest increases were attributed to the cost of steel, insulation and elevator contracts. While the increases for Left Field were significant and delayed the project's construction start by six months, they were limited relative to the future phases, as ACD was able to begin construction by July 2022.

More extreme cost increases have been identified for Phase 2, the Preserve on Ash (PoA), due to a combination of ongoing material cost escalation as well as rapidly rising interest rates. The total development cost for PoA I, the first sub-phase, was $21.5 million in December of 2020. This had increased to a TDC of $23 million by February 2021 when the project applied for a 9% LIHTC allocation with the Michigan State Housing Development Authority (MSHDA); by November of 2021, the revised cost estimate from the general contractor was $23.8 million in hard costs alone. The largest increases were attributed to carpentry, plumbing and electrical subcontracts. Decades of disinvestment in North Corktown have created significant infrastructure needs to support new development beyond what was originally anticipated, including significant onsite stormwater retention, costs to either upgrade public water utility or add supplemental pumps and electrical utility infrastructure. In the fourth quarter of 2022, environmental investigative sampling across the PoA I parcels found mercury contamination, with a remediation cost of $750,000. Given their proximity, contamination and environmental remediation are assumed to be consistent across the PoA II, III, and Preserve Estate sites.

The planning process identified the need for infill development in North Corktown that fits within the neighborhood fabric and meets the demand identified by the market analysis, which includes lower density housing types such as walk-ups, townhomes and single family homes in addition to multifamily. The City and HIE are committed to this vision for the revitalization of North Corktown, aligned with the goals of the Choice Neighborhoods program; however, this vision combined with the infrastructure needs have led to dramatic cost increases. As of September 2022, the TDC across the Preserve on Ash phases was $77.9 million, a 65% increase from the original TDC of $47.1 million. In May 2022, TCB engaged a third party estimator to vet the escalated construction costs; this third party estimation varied by 2% of the

General Contractor's costs. Hard cost estimates have also been compared against current TCB multifamily construction in similar markets, confirming that costs are within a realistic range.

While some of the cost increases at the PoA project are unique to North Corktown, the construction cost escalation and interest rate hikes have led to substantial cost increases across the entire housing program. Estimated hard costs across the entire housing program reveal a 56% increase from the original application. Interest rates anticipated at 3.9% at the time of application are now at 6-7%, severely limiting the borrowing capacity for future housing phases. Multi-million dollar gaps are especially pronounced on the 4% LIHTC phases; in Michigan's current Qualified Allocation Plan (QAP) environment, it is essential that 9% applications are paired with 4% phases to increase their competitiveness within a high point value rating factor called "credit efficiency." With the dramatic cost increases, the City's current gap resources are no longer sufficient to cover the gaps in the 4% deals.

***Solutions & strategies to date***

At the time of its initial Choice Neighborhoods application, the City made a significant commitment of $7 million in HOME Investment Partnership (HOME) funds and $3.2 million in Community Development Block Grant (CDBG) funds to support the development of Choice housing phases, well above the required match, to demonstrate its investment in this program and determination to see it through. Both ACD and TCB invested significant time and resources into coordination and pre-development for the housing plan. Over the last two years, the City, ACD and TCB have worked closely together on the following strategies to address rising costs and growing financing gaps.

Restructured phasing: The team has adjusted the phasing strategy to maximize the use of available funding resources. Additional 9% LIHTC sub-phases are sized to access the maximum in 9% credit awards offered by MSHDA (currently $1.5 million). For PoA, this meant splitting the original PoA II (4%) into one new 9% and one 4% phase; this strategy reduced the gap on the original PoA II phase by $5.2 million. Moving forward, the HIE will apply this strategy to Phase 3, Clement Kern Gardens (CKG), and Phase 4, The Bridge (formerly Ford Surface Lots).

Redesign: The HIE has worked with their architects and general contractors to identify opportunities for value engineering while maintaining quality and performance targets. This has included reducing or consolidating building footprints, adjusting building types, revising construction schedules to access greater cost efficiencies, and making other changes to heating/cooling systems, exterior building cladding, and interior finishes. On building exteriors, the character of the architectural design has been preserved – especially on public facades – while efficiencies are achieved through fewer material transitions and simpler constructability.

State advocacy: The City and HIE advocated to MSHDA to allow for supplemental tax credits to be offered to 9% awardees who had been awarded credits prior to the surge in construction costs. MSHDA published two amendments to the current QAP to allow for awardees from 2019-20 and the April 2021 funding rounds to apply for supplemental awards. Additionally, the team advocated for the State of Michigan to designate a portion of ARPA funds to fill gaps for affordable housing projects; in January 2023, $150 million was appropriated for this purpose, a major win that is critical for the success of Detroit's housing plan. Finally, the team is currently advocating with MSHDA for changes to the next QAP, which will be in effect fall of 2023, that will increase competitiveness for Choice Neighborhoods housing phases.

DHC advocacy: The City advocated for the Detroit Housing Commission to offer an RFP for project based vouchers (PBVs) in 2022 and supported TCB's applications. Additional PBVs not only increase the projects' Net Operating Income and debt capacity, but also help them earn the maximum points for the low-income targeting category in the QAP to be competitive 9% LIHTC phases. DHC released an RFP for PBVs in the summer of 2022.

Advocacy with other partners: The City and TCB worked with LISC Detroit to develop a grant product that would allow PoA I and III to access $2.5 million of funding committed by Ford Motor Company through the Michigan Central Station Community Benefits Ordinance (CBO) without requiring debt service or equity payments. In addition, the City directed $1.75 million of private investment in affordable housing received from Rocket Companies to fill the remaining financing gap within the PoA III (4%) phase.

Environmental grants: The City and the HIE partnered to submit an EPA grant to support environmental assessments for HUD-led developments. If awarded, funds could cover environmental costs incurred after October 1, 2023. The City and the HIE are also exploring the assembly of a Brownfield grant and loan project proposal through the Michigan Brownfield Redevelopment Program. An award of up to $1M could benefit remediation necessary for the Preserve on Ash and Preserve Estates sites within the 2023 calendar year.

This work and advocacy has resulted in the following commitments to date:

- $1,000,000 in CDBG to support eligible costs at Left Field and PoA I
- $2,500,000 in Detroit Housing for the Future funds directed into PoA I and III
- $3,573,900 in additional tax credits for Left Field in January 2022
- $4,800,000 in additional tax credits for PoA I in December 2022
- 8 PBVs each awarded from DHC for PoA II and The Bridge in October 2022
- $1.75 million secured from Rocket Companies for PoA III

***City commitment***

The City's initial direct financial commitment to the housing plan totaled $10.2 million in HOME and CDBG, with an additional $2.5 million held by the Detroit Housing for the Future Fund stewarded by the City. The City plans to commit an additional $2 million in CDBG and $1.5 million in ARPA funds. The City's total commitment, including direct dollar investment and City-stewarded investments via partner organizations, is currently $17.95 million.

- Direct dollar investment: $13.7 million
  - $7 million in HOME
  - $5.2 million in CDBG
  - $1.5 million in City ARPA (in process)
- Indirect investment (via City partners): $4.25 million
  - $2.5 million in Detroit Housing for the Future Fund, via LISC
  - $1.75 million in private dollars, via Rocket Companies

These efforts are in addition to the City's commitment of $7 million in CDBG to support the Neighborhood Plan CCIs.

***Proposed use of supplemental grant funding***

After Supportive Services, Critical Community Improvements, and grant administration, the City's FY2020 CN budget leaves $19.2 million available for housing phases. A supplemental grant of $5 million would bring the total CN dollars available for housing to $24.2 million, reducing the overall gap to $8.4 million. While this award would not fill the entire gap that remains in the City's housing plan, it would bring 3 future rental subphases to full financing ($1.0 million for CKG V, $2.3 million for Bridge I, and $1.7 million for Bridge III). This reflects a strategy to front-load existing gap resources, including the $19.2 million in CN, into earlier phases; this strategy is only possible with a supplemental award that will enable the HIE to deliver the planned program on the later phases, including completion of the target housing site. Additionally, the supplemental $5 million could go a long way as leverage to seek additional private funds, such as the Rocket Companies investment into PoA III. The City and HIE will continue to pursue creative solutions and all potential sources to fill the remaining gaps on the CKG IV & Bridge III phases. Should the City be eligible for any supplemental grants made available through HUD through future CN appropriations, the team will plan to apply.

CKG V, Bridge I and Bridge III are all scheduled to be under construction and nearing completion prior to the September 2027 expenditure deadline for the FY20 funds, as the City and the HIE are still planning to complete all housing phases within that deadline. Thus, all FY22 funds would be spent down in advance of the September 2028 expenditure deadline.

## C FINANCING PLAN FOR REMAINING PHASES

### *Overall financing plan*

Attachment C provides the full development budget for each of the 5 overall phases. The City's current plan is reflected in Revision 2 to the Housing Plan, submitted via the Grant Coordinator and approved in August of 2022. The Detroit team submitted a Revision 3 in January 2023 that reflects the new phasing structure with additional subphases, structured based on the most efficient financial execution. New subphases enable the HIE to access additional tax credit equity through a greater number of 9% LIHTC awards, as MSHDA's maximum credit award within the current QAP is $1.5 million. The current and proposed phasing structures are described in Table C1.

| Table C1: Overall phasing plan over time |
|---|

| Original plan | Revision 2 Phasing (current) | Revision 3 Phasing (proposed) |
|---|---|---|
| Phase 1: Left Field | Phase 1: Left Field | Phase 1a: Left Field I |
| | | Phase 1b: Left Field II |
| Phase 2a: North Corktown rental | Phase 2a: Preserve on Ash I | Phase 2a: Preserve on Ash I |
| | Phase 2b: Preserve on Ash II | Phase 2b: Preserve on Ash II |
| | | Phase 2c: Preserve on Ash III |
| Phase 2b: North Corktown Homeownership | Phase 2c: Preserve Estates | Phase 2d: Preserve Estates |
| Phase 3a: Clement Kern Gardens East | Phase 3a: Clement Kern Gardens East | Phase 3a: CKG I - Bagley Townhomes and 10th Street Flats |
| | | Phase 3d: CKG IV - Trumbull |
| Phase 3b: Clement Kern Gardens Central | Phase 3b: Clement Kern Gardens Central | Phase 3b: CKG II - West of 10th |
| | | Phase 3c: CKG III - Central 1 |
| | | Phase 3e: CKG V - Central 2 |
| Phase 4: Ford Surface Lots | Phase 4a: Bridge I | Phase 4a: Bridge I |
| | Phase 4b: Bridge II | Phase 4b: Bridge II |
| | | Phase 4c: Bridge III |
| Phase 5: Bagley Homeownership | Phase 5: Bagley | Phase 5: Bagley |

There are no proposed changes to the overall unit counts within each phase, although there are some changes to the income mix described in Section D. Page 1 of Attachment C reflects the 9 total subphases in Revision 2, and page 2 reflects the 15 total subphases proposed in Revision 3. Note that several sources within Attachment C meet multiple criteria within the key (for example, Phase 3a: CKG I - Bagley Townhomes and 10th Street Flats includes both a **firm commitment** on the 9% side, and 4% credits that are *presumed available;* thus the LIHTC equity source is shown as ***bold italic***.) Important assumptions and notes regarding the financing plan are provided below.

- LIHTC: The HIE has secured three 9% LIHTC awards from MSHDA as well as two supplemental credit awards. This includes one award and one supplemental credit award for Phase 1a, Left Field; one 9% award and one supplemental credit for Phase 2a, PoA I ; and one 9% award for Phase 3a, Bagley Townhomes & 10th Street Flats. The plan for financing the remaining phases will include 5 additional competitive 9% LIHTC awards. Securing these awards will require the City and HIE to:
  - Continue to submit competitive applications under current and future QAPs
  - Continue to work in close partnership with MSHDA to support Choice Neighborhoods housing phases and find collaborative solutions
  - Advocate for changes to future QAP(s) to align with the goals of the Choice Neighborhoods program.
- State gap funds for LIHTC: As described in Section B, the state of Michigan has appropriated $150 million that will make much-needed gap funds available for LIHTC deals. While the program details remain to be finalized, gap funds are estimated as $20,000/unit for 9% transactions and $60,000/unit on 4% transactions, and are a critical piece of the solution for financing CKG and the Bridge phases.
- Supplemental Choice Neighborhoods funds: An award of $5 million in additional CN funds toward construction of housing phases would not only fill gaps on three of the proposed subphases ($1.0 million for Phase 3e, CKG V, the last subphase of CKG Central; $2.3 million for Phase 4a, Bridge I, and $1.7 million for Phase 4c, Bridge III, the last subphase of the current Bridge II project), but would act as leverage to assist the City in seeking additional funding from other sources. This may include private funds, such as the recently committed Rocket Companies investment into PoA III.

- Ongoing value engineering: The locations and building types identified strategically to promote the revitalization of Greater Corktown put Detroit's Choice Neighborhoods housing plan on the high end of an already challenging cost environment. The HIE is committed to working together to continue to identify areas for cost savings without compromising the overall vision.
- Ongoing advocacy, fundraising and resource-seeking: Since Detroit's CNI award, the City and HIE have put tremendous effort into resolving the financing gaps created by ongoing cost increases (see Section B). The team is committed to continuing this work to identify sources and/or strategies to solve for the remaining $8.4 million needed to reach a fully-financed housing plan.

***CN Grant Fund Leverage***

While no phases in Detroit's housing plan with CN grant funds have closed as of February 2023, PoA I achieves a leverage ratio of 1:10 in total public housing funds to non-public housing funds ($2,771,417 : $28,620,509). Furthermore, the overall housing plan if awarded the supplemental $5,000,000 grant achieves a 1:13 leverage ratio ($24,200,000 : $310,169,419).

***Timeline***

Attachment C provides the current anticipated dates for financial closing, construction start and construction completion for all housing phases.

## D MIXED-INCOME HOUSING PLAN

Despite the financing challenges described in sections B & C, the City and HIE remain committed to implementing the ambitious housing plan laid out in the original CNI application to preserve and grow affordable housing that complements the existing neighborhood and market conditions to ensure Greater Corktown remains a true mixed income community. The strategy aims to create a neighborhood where high-quality, accessible and diverse housing options are affordable to households of all incomes; residents at CKG and other low-income residents are included in the neighborhood's future and protected from displacement. New mixed-income housing developed at CKG and throughout Greater Corktown is integrated with the surrounding neighborhood, repairing economic and racial segregation caused by decades of disinvestment and interstate construction.

The proposed plan maintains the total unit count (841) proposed in the original application, roughly the same bedroom mix, and an income mix that maintains over 20% market rate units. The changes to the phasing do not represent any change in program or concept from the original plan, but the division into "sub-phases" better reflects actual execution, while staying as close as possible to the current timeline to deliver units. All phases remain affordable for a range of incomes, financially viable, and on track for completion by 2027. Details on changes in both the current plan (Revision 2) and the proposed plan (Revision 3) are outlined in the section that follows.

<u>Revision 2</u> changes are minimal, and include:

- Preserve on Ash rental housing split from one phase into two (4% and 9% LIHTC)
- Delay in start of Left Field from Q2 2021 to Q3 2022, and of PoA I from Q1 2022 to Q3 2023, due to cost increases and need to apply for supplemental tax credit award

- Delay in start of CKG rental phases from Q2 2023 to Q2 2024, due to delays on Left Field and commitment to maintain "build first" strategy that ensures replacement units are available for residents moving from CKG East
- Increase in overall replacement units due to project-based voucher award at Left Field from Detroit Housing Commission, with balance of original replacement units redistributed at future CKG phases
- All 81-120% AMI units and some up to 80% AMI units at PoA shifted to 21 unrestricted market units, per feedback from CN Grant Coordinator

Revision 3 changes include:

- *Timeline changes*: Cost-related delays discussed in Section B have pushed back construction start and completions for phases 1-4. See Attachment C for revised dates.
- *Replacement unit changes:* Due to awards of 16 competitive project-based vouchers for 2 phases (PoA and the Bridge), 7 additional vouchers from MSHDA, and a planned 8bb HAP transfer of an additional 30 units of PBRA to CKG, Revision 3 reflects an increase in replacement units. This increases borrowing capacity, preserves deeper affordability within rapidly developing areas in the neighborhood, and maximizes choices available to target residents at CKG. The HAP transfer would bring one-bedroom senior units, allowing the HIE to respond to current CKG senior residents' expressed desire for a more intentional senior community and increase overall age diversity at CKG. Revision 3 increases the replacement units noted in Revision 2 by (+45) one-bedrooms , (+3) two-bedrooms, and (+4) three-bedrooms.
- *Non-replacement unit mix changes*: Ninety-five of the 81-120% units developed with CN funds have shifted into the 80% and below category. This change is critical to creating a

financially viable path for Phases 3 and 4 as it allows increased access to LIHTC equity and new gap funds for tax credit units appropriated by the state in early 2023. The HIE will employ an income averaging strategy for future phase LIHTC units, so there will still be a number of units in each rental phase at 80% AMI, allowing for units available at all income levels. The revised unit mix maintains over 20% of all units at market rate. These 175 market units will complement an additional 537 unrestricted units under development in Greater Corktown. The 626 affordable and replacement units fill a demonstrated need for housing affordable for lower incomes and are critical to ensuring Greater Corktown remains a true mixed income community. Tables D.1 and D.2 summarize unit and bedroom mix proposed for all phases.

| Table D.1: Overall Rental Unit Mix over time | | | | | | |
|---|---|---|---|---|---|---|
| | Original | | Current (Rev 2) | | Proposed (Rev 3) | |
| | Units | % | Units | % | Units | % |
| Replacement | 151 | 19% | 160 | 20% | 212 | 26% |
| Other Affordable (up to 80% AMI) | 331 | 41% | 327 | 41% | 375 | 47% |
| Affordable (81-120% AMI) | 158 | 20% | 134 | 17% | 39 | 5% |
| Unrestricted Rental Units | 161 | 20% | 181 | 22% | 175 | 22% |
| Totals | **801** | **100%** | **802** | **100%** | **801** | **100%** |

| Table D.2: Replacement Housing Bedroom Mix | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Original | | | Current (Rev 2) | | | Proposed (Rev 3) | | |
| Revision 2 Phasing (current) | Revision 3 Phasing (proposed) | 1BR | 2BR | 3BR | 1BR | 2BR | 3BR | 1BR | 2BR | 3BR |
| Existing (CKG) | | 16 | 46 | 25 | 16 | 46 | 25 | 16 | 46 | 25 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Phase 1: LF | Phase 1a: LF I | 0 | 20 | 10 | 8 | 15 | 6 | 8 | 15 | 6 |
| | Phase 1b: LF II | | | | | | | 0 | 0 | 0 |
| Phase 2a: PoA I | Phase 2a: PoA I | 13 | 17 | 5 | 11 | 3 | 1 | 17 | 4 | 1 |
| Phase 2b: PoA II | Phase 2b: PoA II | | | | 9 | 10 | 1 | 4 | 4 | 0 |
| | Phase 2c: PoA III | | | | | | | 5 | 5 | 2 |
| Phase 3a: CKG East | Phase 3a: CKG I | 16 | 10 | 6 | 8 | 10 | 13 | 3 | 5 | 13 |
| | Phase 3d: CKG IV | | | | | | | 5 | 4 | 3 |
| Phase 3b: CKG Central | Phase 3b: CKG II | 0 | 16 | 8 | 8 | 21 | 6 | 38 | 0 | 0 |
| | Phase 3c: CKG III | | | | | | | 0 | 15 | 3 |
| | Phase 3e: CKG V | | | | | | | 0 | 6 | 0 |
| Phase 4a: Bridge I | Phase 4a: Bridge I | 19 | 10 | 1 | 3 | 2 | 0 | 6 | 2 | 0 |
| Phase 4b: Bridge II | Phase 4b: Bridge II | | | | 16 | 8 | 1 | 14 | 8 | 2 |
| | Phase 4c: Bridge III | | | | | | | 8 | 4 | 2 |
| | Totals | **48** | **73** | **30** | **63** | **69** | **28** | **108** | **72** | **32** |

***Phase Summaries***

Phases 1a-1b: Left Field is a mixed income community with a mix of multifamily and townhome-style walk-up units and surface parking, located on the historic former Tiger Stadium site. The development is steps from the amenity-rich Michigan Avenue commercial corridor. Although initially envisioned as one phase, a two-phase execution will make the most efficient use of available financing tools; together these phases achieve the same income mix, bedroom mix and site plan as the original plan. Table D.2 shows some two and three-bedroom replacement units were moved back to CKG to accommodate target residents' desire for more townhome units on the target site, while table D.3 illustrates that a PBV award from Detroit Housing Commission helps maintain 29 total replacement units.) The start of construction for Phase 1a was delayed due to cost increases described in Section B. With the award of additional

LIHTC from MSHDA in June 2022, the project was able to break ground and start construction in Q3 2022. Completion in Q1 2024 will still accommodate residents within the first phase of units being demolished in the eastern section of CKG, with sufficient replacement units available for them to relocate. Funding for phase 1a is firmly committed, including an initial 9% LIHTC award with an annual allocation of $1.2 million and an additional LIHTC allocation of $357,390, and $1 million in HOME and CDBG financing. Funding for phase 1b will be supported by ACD equity. No CN funds will be required to develop Left Field. Table D.3 outlines the total units and affordability mix.

| Table D.3: Total Units & Affordability Mix - Phase 1 - *Off Site Rental Phase* | | | | | | |
|---|---|---|---|---|---|---|
| | | *Replacement Housing* | | *Non-Replacement Rental Housing* | | |
| | | HUD-assisted Multifamily/ LIHTC units | Project- Based Voucher/ LIHTC | Aff. Rental LIHTC Only Units | Unrestricted Rental Units | Total Units |
| Original (App.) | P1 - Left Field MF | 30 | 0 | 18 | 72 | 120 |
| Current (Rev 2) | P1 - Left Field | 29 | 0 | 19 | 72 | 120 |
| Proposed (Rev 3) | P1a: Left Field I | 21 | 8 | 19 | 12 | 60 |
| | P1b: Left Field II | 0 | 0 | 0 | 60 | 60 |

<u>Phases 2a-2d: Preserve on Ash (PoA) and Preserve Estates</u>*:* This phase will include a mix of neighborhood-scale, one- to two-story building types to catalyze the revitalization of North Corktown, with a total of 160 rental units and 30 homeownership units affordable at all incomes. Although initially envisioned as two phases, the rental phase is now proposed as a three phase execution that will achieve the same total unit count and general income mix originally proposed (see Sections B and C). The proposed program maintains the 21 market rate units included in revision 2, reflects the shift in 81-120% AMI units to 80% and below to reduce financial gaps

(see Section C), and reflects a commitment of 7 additional PBVs from MSHDA increasing the balance of replacement units. While the total unit count remains unchanged, TCB has implemented site and building redesigns to reduce costs, countering the escalation in construction cost. Phase restructuring and redesign have caused the delay in construction start. Additional detail on each subphase is included below.

- *PoA I* includes 4 walk-up and 1 elevator apartment buildings totaling 69 housing units and 5,600 sf of commercial space. LIHTC equity committed includes an initial 9% award secured in July 2021 and a supplemental award from December 2022 that together total $19,204,079. To free up CDBG and HOME funding to support gaps in other phases, the City has committed $1.5 million in ARPA since the submission of the PoA I development proposal in January 2023. Additional commitments include $545,306 in CDBG, $2,771,417 in CN, and $2 million from the Detroit Housing for the Future Fund.
- *PoA II* includes 5 townhouses and 1 apartment building for a total of 31 affordable units.
- *PoA III* includes 13 townhouses and 3 apartment buildings for a total of 60 affordable housing units.
- *Preserve Estates* includes 20 townhomes and 10 single family homes for sale, developed over 2 acres of assembled fee simple lots. Outside the Housing leverage, the HIE secured a competitive grant award from Fannie Mae's 2022 Sustainable Communities Innovation Challenge, to be used to help Black residents who are prospective homebuyers enhance their credit rating and receive homeownership counseling and supports. No changes have been proposed for this phase.

Tables D.4 and D.5 outline the total units and affordability mix for phases 2a-2d.

| Table D.4: Total Units & Affordability Mix - Phase 2 - *Off Site Rental Phase* |
|---|

| | | *Replacement Housing* | *Non-Replacement Rental Housing* | | | |
|---|---|---|---|---|---|---|
| | | Project-Based Voucher/ LIHTC | Aff. Rental (Up to 80% AMI) w/ CN funds & LIHTC only Units w/ CN funds | Aff. Rental Units (81-120% AMI) w/ CN funds | Unrestr. Rental Units | Total Units |
| Original (App.) | P2a - North Corktown MF | 35 | 109 | 16 | 0 | 160 |
| Current (Rev 2) | P2a -Preserve on Ash I | 15 | 33 | 0 | 21 | 69 |
| | P2b -Preserve on Ash II | 20 | 71 | 0 | 0 | 91 |
| Proposed (Rev 3) | P2a -Preserve on Ash I | 22 | 26 | 0 | 21 | 69 |
| | P2b -Preserve on Ash II | 8 | 23 | 0 | 0 | 31 |
| | P2c -Preserve on Ash III | 12 | 48 | 0 | 0 | 60 |

| Table D.5: Total Units & Affordability Mix - Phase 2 - *Off Site Homeowner Units* | | | | |
|---|---|---|---|---|
| | | *Non-Replacement Housing* | | |
| | | Other Homeownership Units | Aff. Homeownership Units with CN Financing | Total Units |
| Original (App.) | P2b - North Corktown HO | 30 | 0 | 30 |
| Current (Rev 2) | P2c - Preserve Estates | 30 | 0 | 30 |
| Proposed (Rev 3) | P2d - Preserve Estates | 28 | 2 | 30 |

Phases 3a - 3e*:* The 350 units being reconstructed on the current footprint of Clement Kern Gardens (CKG), this grant's target housing, will feature a variety of mixed-income multifamily and townhome walk-up units, designed to meet the needs identified by residents and to help repair the integrity of the residential neighborhood disrupted by CKG's current low-density, superblock design. Each development will have a mix of studio, one-, two-, and three-bedroom units to meet the needs of existing and new CKG residents. Note that some three-bedroom replacement units have shifted from phase 1 back to the target site based on residents' expressed demand for three-bedroom townhome units at CKG (see Table D.2). As the target site, CKG remains true to the mixed income vision, with the most significant changes to the income mix is movement of units in the 81-120% AMI category into the 80% and below category to reduce financial gaps and the increase in replacement units due to the HAP transfer (see Section C). Phase 3 will be financed through three 9% and two 4% LIHTC transactions, HOME loans, CNI financing and ACD equity. Funding for phase 3a has been firmly committed and includes a 9% LIHTC award with an annual allocation of $1,500,000 and $2,156,310 in HOME financing. Table D.6 outlines the total units and affordability mix proposed for phases 3a-3e.

| Table D.6: Total Units & Affordability Mix - Phase 3 - *On Site Rental Phase* | | | | | | |
|---|---|---|---|---|---|---|
| | | *Replacement Housing* | *Non-Replacement Rental Housing* | | | |
| | | HUD-assisted MF/ LIHTC units | Aff. Rental Units (Up to 80% AMI) w/ CN funds | Aff. Rental Units (81-120% AMI) w/ CN funds | Unrestr. Rental Units | Total Units |
| Original (App.) | P3a - CKG E | 32 | 44 | 59 | 35 | 170 |
| | P3b - CKG C | 24 | 64 | 58 | 34 | 180 |
| Current (Rev 2) | P3a - CKG E | 31 | 47 | 56 | 35 | 169 |
| | P3b - CKG C | 35 | 56 | 58 | 33 | 182 |
| Proposed (Rev 3) | P3a - CKG I - Bagley TH & 10th St Flats | 21 | 23 | 0 | 10 | 54 |
| | P3b - CKG II - | 38 | 4 | 0 | 4 | 46 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | West of 10th | | | | | |
| | P3c - CKG III- Central 1 | 18 | 40 | 4 | 12 | 74 |
| | P3d - CKG IV- Trumbull | 12 | 45 | 23 | 20 | 100 |
| | P3e - CKG V - Central 2 | 6 | 48 | 6 | 16 | 76 |

Phases 4a-4c - The Bridge*:* The Bridge developments will be the second phase in the North of Michigan catalytic focus area, and will establish a population center with easy access to Rosa Parks Boulevard and help bridge the interstate divide between Historic and North Corktown. The total unit count remains the same, with the two initial phases split into three to maximize access to 9% LIHTC equity. While the count of unrestricted market rate units remains unchanged, the proposed income mix reflects additional replacement units through PBV awards and movement of units in the 81-120% AMI category into the 80% and below category to help address financial gaps (see Section C). Phase 4 will be financed through a mix of MSHDA 9% LIHTC, 4% LIHTC, and TCB equity. Table D.7 outlines the total units and affordability mix proposed for phases 4a-4c at the Bridge.

| Table D.7: Total Units & Affordability Mix - Phase 4 - *Off Site Rental Phase* | | | | | | |
|---|---|---|---|---|---|---|
| | | *Repl. Housing* | *Non-Replacement Rental Housing* | | | |
| | | Project -Based Voucher / LIHTC | Aff. Rental (Up to 80% AMI) w/ CN funds & LIHTC Only Units | Aff. Rental Units (81-120% AMI) w/ CN funds | Unrestr. Rental Units | Total Units |
| Original (App.) | P4 - Ford Surface Lots MF | 30 | 96 | 25 | 20 | 171 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current (Rev 2) | P4a -Bridge I | 5 | 51 | | | 56 |
| | P4b -Bridge II | 25 | 50 | 20 | 20 | 115 |
| Proposed (Rev 3) | P4a -Bridge I | 8 | 38 | | 10 | 56 |
| | P4b -Bridge II | 24 | 30 | 6 | | 60 |
| | P4c -Bridge III | 14 | 31 | | 10 | 55 |

Phase 5 - Bagley: No changes have been proposed for this phase from the initial application. The Bagley development will provide 10 for-sale affordable condominium units on a historic residential street two blocks east of the CKG site at Bagley and Wabash streets. The target market will be low to moderate-income households earning 60%-120% of AMI, with 3 units priced at 60% AMI, 2 at 80% AMI, and 5 at 120% AMI. There will be down payment assistance and subsidy available for low-income homebuyers. Table D.8 outlines the total units and affordability mix for phase 5.

| Table D.8: Total Units & Affordability Mix - Phase 5 - *Off Site Homeowner Units* | | | |
|---|---|---|---|
| | | *Non-Replacement Housing* | |
| | | Other Homeownership Units | Total Units |
| Original/ Current (R2)/ Proposed (R3) | P5 - Bagley HO | 10 | 10 |

**E SECTION 3 PLAN**

The City of Detroit Section 3 Program fosters local and neighborhood economic development, and individual self-sufficiency through opportunities to provide employment and job training to low- and very low-income persons (Section 3 Workers) and contracting opportunities to businesses that provide economic opportunities to low- and very low-income persons (Section 3 Business Concern) in connection with Section 3 covered projects and activities. Each Section 3 covered project and activity develops a Section 3 Plan to acknowledge and actively seek to achieve the benchmarks set by HUD. The goal is to have at least 25% of the total number of labor hours worked on a Section 3 project performed by Section 3 Workers and at least 5% of the total number of labor hours worked on by Targeted Section 3 Workers.

The City will oversee the HIE with successful implementation of the Section 3 Plans for Section 3 covered projects and activities. Both HIE developers have strong track records on Section 3 and broader economic inclusion. In Cincinnati's Avondale community, where TCB was the grantee and HIE for a FY 2012 CNI grant, economic inclusion results across all phases exceeded 34% minority-owned business enterprises, 9% women-owned business enterprises, and 21% Section 3 business interests. ACD also has experience with Davis Bacon, Section 3, and other federal cross-cutting requirements, as well as local hiring goals. On three recent Detroit developments, ACD exceeded Equal Opportunity employee targets by as much as 20% and targeted Equal Opportunity contract goals by 57%. The HIE expects to meet and even exceed the benchmarks, 25% and 5%, of the total labor hour goals with subcontracting opportunities with Section 3 businesses totaling $12 million or more over the course of the fifteen developments in the Housing Plan. Additionally, it is estimated that the housing developments will generate opportunities for 50 Section 3 Workers.

The City and the HIE will implement the following strategies to achieve the Section 3 goals described: *1) Coordination with workforce development:* Close coordination between the HIE, the PIE and their construction teams is critical to the Section 3 plan's success. Income and employment People Strategy partners offer an array of professional certifications and occupational training programs for in-demand trades. The CN career coach (positioned within the Detroit Employment Solutions Corporation (DESC)'s partner SERCO Detroit) supports residents with enrollment and completion of training programs, and will coordinate with the HIE to connect residents with opportunities in these trades as they arise in CNI development phases. *2) Ensuring priority consideration:* In accordance with the City's requirement, the HIE will ensure that general contractors and subcontractors give priority consideration to individuals and businesses meeting the Section 3 requirements. *3) Outreach to residents and businesses:* Initial outreach will inform the local business community about the anticipated pipeline of opportunities. Additional outreach will be conducted ahead of each construction phase bid package. The HIE will facilitate ongoing engagement with the local contracting community, and will work with local organizations to provide applicant referrals. In the fall of 2022, when the construction manager for the PoA I phase opened its call to bidding trade partners, the City of Detroit and HIE team worked to ensure Section 3 registrants and Detroit businesses certified by the City's Civil Rights Inclusion and Opportunity team were extended an invitation. *4) Coordination with contractors:* The HIE will assist contractors with required subcontracting plans and plans for hiring Section 3 workers prior to entering contracts. The HIE will generate weekly certified payrolls, Section 3 Worker and Targeted Section 3 Worker Certifications, Section 3 Business Concern Verification, Project Workforce Lists (lists of employees working on the project from each company), monthly labor hours summary reports (modified from HUD form 60002), and Final Project Total Labor Hours Summary Reports (based on HUD form 60002) to the City of Detroit's Section 3 Program Office. Annually each April, following the start of construction for each development, the HIE will submit data to the City of Detroit CNI Grant Coordinator tracking the appropriate counts for Section 3 compliance. The Detroit CNI team is hopeful that the CN Inform Guidebook will update metrics P4.4.4, P4.4.5 and P4.12.1 - P4.12.6 to align with the new Section 3 regulation, 24 CFR Part 75's focus on labor hours. General contractor and subcontractor awards will mirror project goals based on the contractor track record and buyout plan. *5) Section 3 website:* Within the CNI website created by the City, information regarding Section 3 opportunities will be posted, with mechanisms for target housing and neighborhood residents to inquire about training and opportunities. The HIE will conduct outreach to local businesses to support them in becoming certified Section 3 Businesses through the City's website.

The Section 3 Program Office works closely to ensure the HIE is meeting Section 3 goals, and monitors for compliance. More information regarding the City's Section 3 Program is located at https://detroitmi.gov/departments/housing-and-revitalization-department/hud-programs-and-information/section-3-program.

**F GRANT SIZING WORKSHEET**

Please see Attachment F HUD 53235 CN Implementation Grant Sizing Worksheet 2022 limits FY22 NOFO_Detroit.