

Mixed Use on Main Street (MUMS)

FY2023 PROGRAM GUIDELINES



Mixed Use on Main Street (MUMS) GRANT GUIDELINES

INTRODUCTION

\$2.5 million is available in Fiscal Year 2023 to support the activation of vacant or underutilized downtown spaces to create opportunities for commercial development and housing units in state designated Main Street districts through the Mixed Use on Main Street (MUMS) program. This program is funded by the Industrial Revitalization Fund (IRF) and made available to communities that actively participate in the Virginia Main Street (VMS) program. Funds will be allocated to the implementation of construction projects.

At present this is a one-time allocation funded out of an IRF allocation of American Rescue Plan Act (ARPA) funds.

Localities frequently do not possess the resources needed to attract adequate private investment for timely redevelopment of these structures. This is especially true in distressed areas.

MUMS awards are meant to provide resources to achieve market-driven redevelopment of these structures, creating a catalyst for long-term employment opportunities and ongoing physical and economic revitalization. Eligible properties and structures must be vacant and deteriorated and may be redeveloped for any eligible market-driven purpose regardless of the original use.

Availability of Funds

The funding available in FY '23 is a one-time allocation administered through the Virginia Derelict Structures Fund (DSF) established under §36-152 of the Code of Virginia and utilizes \$2.5 million in ARPA Funds. The Virginia Department of Housing & Community Development (DCHD) administers these funds under the Industrial Revitalization Fund (IRF) Program. MUMS is jointly administered through the IRF and the Virginia Main Street (VMS) programs.

Activities and Awards

Implementation Awards of up to \$500,000 are available for the rehabilitation of mixed-use buildings in Main Street districts that must include the creation or renovation of housing units. While there is no match requirement for these funds, additional leverage will be advantageous in showing a project's readiness and support and should be documented in the application if available. A strong application will show that it will have the resources in place to complete the project with the requested amount.

ELIGIBILITY

Applicants will be required to attest to their eligibility for ARPA funds. Projects seeking funding must address a harm caused by COVID-19 pandemic, or a harm resulting from or exacerbated by the economic disruption caused by the COVID-19 pandemic. Applicants should 1) identify the need created or exacerbated by the pandemic and 2) how their project seeks to remedy that need.

Furthermore, these applicants must also attest to how their project will support individuals, communities, or industries that faced disproportionate public health or economic impacts from the COVID-19 pandemic. For purposes of the application, applicants should take a broad view when defining "disproportionately impacted" individuals, communities, or industries.

Considerations could include the racial, ethnic, socioeconomic, geographic and/or other characteristics related with the individual, community, or industry associated with the project.^[1]

Additionally, an applicant should specify if the project is located within a "[Qualified Census Tract](#)," which will automatically designate them as serving a disproportionately impacted group.

Applicants are encouraged to consult the [Final Rule](#) and the [associated FAQ](#) (particularly questions 2.17 and 2.18) for additional guidance. The Final Rule includes advice on describing disproportionate impacts (pages 43-45 of the PDF).

Eligible Applicants

Grants are available to those communities designated by VMS as Advancing Virginia Main Street (AVMS), Mobilizing Main Street (MMS), or Exploring Main Street (EMS). For EMS communities, active participation is defined as outreach to VMS staff for technical assistance or attending at least one DHCD Economic Development and Community Vitality (EDCV) sponsored training in the past twelve months.

Only local governments (cities, counties, or towns), and regional or local economic or industrial development authorities may submit applications for funding. A unit of local government may apply directly for funding to use on publicly owned property OR on behalf of a for-profit or non-profit entity for privately owned property. Localities may designate a redevelopment authority or another similar organization as an agent for project implementation and administration.

Award Funding Structures

While applicants should indicate whether funds are requested as a loan or a grant, DHCD reserves the right to award funding in the manner most appropriate to the project, and to recommend alternative structures as necessary. For both loans and grants, the expectation is that financing to complete the entire project as specified in the MUMS application has been secured as evidenced by formal letters of interest, term sheets, or commitment letters.

DHCD will issue a **MUMS GRANT** under the following conditions:

- The property is publicly owned;
- The privately owned property has an option agreement/contract in place for purchase by a local government at the time of the application; or
- The private property is owned by a not-for-profit, tax-exempt entity.

In cases where the local government intends to lease the property to a private, for-profit entity, a market rate lease is required; upon resale of the property to a private, for-profit entity, DHCD may require repayment of a prorated grant amount.

DHCD will issue a **MUMS GRANT/LOAN** under the following conditions:

- The property is owned by a private, for-profit entity and the end-use will be owned by a private, for-profit business.
- MUMS Grant/Loans may be funded as a grant to the applicant local government (or local Development Authority), who will in turn make a loan to the for-profit entity. The following standard terms and conditions will apply to all projects unless DHCD determines that the performance agreement in place with the property owner is sufficiently beneficial to the community and district to warrant more favorable terms. The terms of the loan must be agreed to by DHCD.
 - Interest Rate: 2.5%
 - Amortization: Up to 20 Years (negotiated on a project-by-project basis)
 - Environmental Review
 - DHCD will require an executed performance agreement with the developer.

If the locality is unwilling to manage the loan, or, by DHCD's determination, unable to manage the loan, the loan may be underwritten by Virginia Community Capital (VCC). In this case, VCC will require a commitment fee of 1% (50% due within 14 days of execution of IRF loan performance agreement and the remainder at IRF closing).

Agreements may be executed simultaneously to the closing of the first trust lender for primary financing or after; however, MUMS grant/loans will **not** close before all other sources of primary financing are closed or commitment letters with a closing date have been issued.

All projects, regardless of award structure, will be required to have a deed covenant/restriction or a lien for a period of 10-years that requires DHCD approval prior to any sale or change in end-use for the property. In the case of a sale to a private sector entity and/or a change of use during the 10-year period, DHCD may require a prorated repayment of the funds based on the number of years of the deed restriction remaining.

Match

While there is no match requirement for these funds, additional leverage will be advantageous in showing a project's readiness and support, and should be documented in the application if

available. The additional leverage must either be cash or documented costs that are directly associated with the improvements to the property where MUMS funds are expended. Local leverage may include federal (CDBG, ARPA, or other), state, local, and private funds spent on activities directly related to the targeted project within the last full fiscal year (on or after July 1, 2022).

MUMS funds may not be used as a substitute for other funds the applicant or end-user has already committed to a project. If the project proposes a for-profit, private end-use, DHCD considers an equity investment by that entity into the MUMS project as an indication of long-term commitment to the project.

Eligible Use of Funds

The MUMS program is flexibly designed so that funds can be used for a wide variety of revitalization and redevelopment activities such as **acquisition, rehabilitation, or repair** (including securing and stabilizing for subsequent reuse) of specific structures, as well as **demolition, removal, and other physical activities**.

In the case of acquisition, DHCD will limit its financial participation to the property's fair market value and the associated legal costs of acquisition. Fair market value is considered to be the lesser of the property's documented acquisition costs or appraised value. However, **funds may not be used solely for acquisition**.

Site remediation is **not** an eligible activity for MUMS. [Virginia's Department of Environmental Quality](http://www.deq.virginia.gov) offers several programs to assist with remediation and environmental assessment including the Voluntary Remediation & Brownfields/Land Renewal Programs. Visit <http://www.deq.virginia.gov> for more information.

Eligible Properties

According to the Code of Virginia § 36-3, a "blighted property" means any individual commercial, industrial, or residential structure or improvement that endangers the public's health, safety, or welfare because the structure or improvement upon the property is dilapidated, deteriorated, or violates minimum health and safety standards, or any structure or improvement previously designated as blighted pursuant to § 36-49.1:1, under the process for determination of "spot blight."

The program is targeted toward (functionally) **vacant and underutilized** properties whose poor condition creates a notion of physical and economic blight in the surrounding area, and often is a deterrent to surrounding development. Projects may consist of multiple properties provided they are adjacent and/or adjoining and are related in either their negative impact (e.g., three adjacent severely deteriorated downtown buildings that create a negative impact on the remainder of the block) or end use (e.g., rehabilitation of an abandoned warehouse into a shell building with purchase of adjacent property for parking.)

Eligible properties and structures may be redeveloped for any market-driven purpose and must include housing units, regardless of the original use. For purposes of MUMS, mixed-use is defined as “a building incorporating residential uses in which a minimum of **30 percent of the usable floor space will be devoted to commercial, office, or industrial use.**”

It is **not the intent** of the MUMS Program to fund new construction or the development of greenfield properties, unless done in coordination with the redevelopment of an eligible vacant or deteriorated property.

FUND ACCESS

In the case of **GRANTS**, a contract between DHCD and the grantee outlining end products, conditions, fund disbursement and termination must be executed **before any funds are disbursed**. Funds may only be used for **expenses incurred after the signing of the contract, unless otherwise negotiated with DHCD**. Grant funds are available on a **reimbursement basis only**, for costs the applicant has incurred and paid for.

In the case of **GRANT/LOANS**, MUMS funding will be released as a grant to the applicant local government entity (or approved Economic Development Authority), who will then make a loan to the private developer pro-rata with other funders or once other sources are expended. This will be determined in discussion with developers upon DHCD’s award notification.

Funding Priorities

The ultimate intent of the MUMS program is to support the activation of vacant or underutilized downtown spaces to create opportunities for commercial development and housing units in state designated Main Street districts by funding **shovel-ready** projects that will provide a diversity of housing types, bring residents back to downtown, and provide move-in ready storefronts to entrepreneurs and small businesses looking for a brick and mortar location. This infusion of residents and businesses will act as a catalyst to spark additional private investment and job creation in Main Street districts. Based on that intent, DHCD has established the following funding priorities:

1. Clear relationship to a local or regional economic development strategy.

Applicants must identify the economic development strategy that the proposed project will support. This strategy should be an element of an existing redevelopment, blight removal, housing development, or economic development plan, and applicants should cite the specific documents that substantiate the goals of the project. Applicants must explain what is currently being done in the community and how the MUMS funds will accelerate and expand those economic restructuring and development activities. Additionally, the application should identify why the proposed project is being prioritized for MUMS funds over other projects in the locality.

2. History of Vacancy or Underutilization resulting in residential and commercial spaces that are not move-in ready.

Applicants must describe the extent of physical deterioration and identify the negative impact the vacancies and condition of the property is having on the district and community. DHCD is seeking to invest in projects that will address the negative impact that vacancies have on a community's ability to attract private investment, job creation, and add residential units in downtown districts. Applicants must demonstrate that addressing the property is a local priority, and projects that seek to revitalize all floors of a vacant or underutilized property for both residential and commercial purposes will be given higher priority.

3. Project readiness.

DHCD will give higher priority to shovel-ready projects that will lead to the efficient and immediate redevelopment of vacant or underutilized mixed use properties. Readiness scores will be reviewed first by DHCD and a minimum score will be required to be considered for funding. Projects that can demonstrate "readiness to proceed" will be given the greatest consideration. Readiness to proceed is demonstrated by having finalized plans, construction budget estimates prepared by a professional, and primary financing in place (formal letters of interest, term sheets or letters of commitment) for an identified end-use/user. Capacity for project implementation by the locality or developer will also be a consideration in project readiness. For applications requesting grant funding, readiness to proceed should be demonstrated by community support for the project, and the receipt of public input where appropriate.

NOTE: *Any developers, contractors, and professional services funded by a MUMS award must be procured in accordance with the Virginia Procurement Act (VPPA), if required. Applicants should submit documentation to detail that procurement requirements have been met for any professional services contracted to date. Grantees will be required to submit documentation to detail that procurement requirements have been met prior to any execution of contracts that obligate MUMS funds.*

Projects that can show the ability to close on the MUMS loan or go under contract with DHCD within six months of a MUMS award notification will be the most competitive for funding. DHCD reserves the right to withdraw funding should the applicant not be under contract/close the MUMS loan in a reasonable amount of time. DHCD also reserves the right to withdraw funding if there are substantial or significant changes to the development team, scope of work or community economic benefit.

4. Project with a clear end use.

Successful applicants will be able to identify a tangible end-use to be completed in a reasonable amount of time, typically an 18-month timeframe. Successful projects will have executed development agreements, commitment letters from non-profit partners, operations/management agreements, leases for space, and detailed operations plans. Projects that have speculative or undetermined end uses will be considered a lower priority. If the application proposes a non-profit end use, the applicant or end user must demonstrate long-term sustainability by providing a 10-year operating pro forma and other documentation of financial solvency.

5. End use will have a clear and significant community economic impact.

Applicants must describe how the project will have a clear positive impact on the community. This includes both the economic impact of the construction process and the end use. Applicants should demonstrate a commitment to ensuring MUMS projects seek outreach opportunities for local developers and subcontractors and SWAM certified businesses to participate in the development. Projects should also demonstrate significant private investment when the end user is a private business. Applicants must demonstrate how the completion of the MUMS project will be a catalyst to larger economic revitalization efforts in the locality and region and will spark additional investment in the surrounding area. Applicants should include quantified expectations for primary impact (such as net new jobs, new businesses, new housing units, and leveraged private investment) and any secondary impact (such as increased local sales, meals, or lodging tax revenue, increased export or non-export (tourism) revenues, increased daily and/or overnight visitors, and availability of commercial square footage.)

In addition, applicants should describe how the project may be catalytic to the community in non-economic terms (such as access to services or resources, workforce development, and quality of life improvements). Projects that show significant community economic impact will be given higher priority; whereas projects with a public sector end-use will be lower priority. For MUMS purposes, a full-time equivalent job is defined as employment of, at a minimum, 35 hours per week. Existing employees or unpaid volunteer positions should not be included in job creation projections and will not be considered in application scoring.

6. High Economic Distress in project locality.

Extra consideration will be given to projects located in communities that are experiencing higher degrees of distress. However, it is not intended to compensate for poorly conceived projects that do not score well on the other funding priorities. The Industrial Revitalization Fund (IRF) distress index comprises three factors: unemployment, fiscal stress, and poverty. From these statistics, individual distressed scores are computed. Finally, the three component scores are averaged together to form a composite score. The composite score is then broken down into four categories based on standard deviations from the average score.

Unemployment

Unemployment adversely affects the disposable income of families, erodes purchasing power, diminishes employee morale, and reduces the economy's output. The unemployment index score depends on localities' unemployment rates. The unemployment rate also reflects the local economic conditions as well as localities' ability to generate revenue to provide critical services to its citizens. A higher unemployment rate means less economic activity and reduced revenue sources for the local government.

Fiscal Stress

The ability for a locality to provide services to their citizens depends on their capability to generate revenue from their own sources. A lack of revenue-generating capacity will lead to either a shrinking budget or a gap between revenues and expenditures, which is considered fiscal stress. The fiscal stress index comprises three factors: revenue capacity per capita, revenue effort, and median household income. From these statistics, individual stress scores are computed. Finally, the three component stress scores are averaged together to form a composite.

Poverty

Poverty can negatively affect economic growth by affecting the accumulation of human capital and rates of crime and social unrest. Human capital--that is, the education, work experience, training, and health of the workforce--is considered one of the fundamental drivers of economic growth. Also, areas with higher poverty rates experience, on average, slower per capita income growth rates than low-poverty areas. See Appendix D in the Industrial Revitalization Fund Application Instruction Manual for pre-calculated scores for all cities and counties. Towns may use the distress score of the county, or they may calculate their own based on a calculator provided by DHCD, upon request.

7. Other Considerations

DHCD encourages localities to apply for projects that will have a strong significance to the broader community and region, in areas of ongoing or identified redevelopment/revitalization. Applicants will receive **bonus points** for projects that meet one or more of the following characteristics:

- Projects that include the **local Main Street organization** in the ownership structure of either the real estate or the business operation that occupies the MUMS project.
- Develops housing units that include **mixed income** affordability, not exclusive to one market or income level.
- Projects that include accessible units as defined by the Americans with Disabilities Act (ADA).
- Location in an **Enterprise Zone** and ability to qualify for the state and local incentives. **MUMS loans** may be included in the Enterprise Zone Real Property Investment Grant schedule of Qualified Real Property investments, while **MUMS grants** must be excluded.
- Location in an **Opportunity Zone**, a local, state or federal **historic district**, a **redevelopment or blight removal district**, a **Technology Zone**; or other similar district.
- Location in a current **CDBG project area**.
- Commitment to including **SWAM certified** contractors/sub-contractors through solicitation during the bidding and procurement process. Applicants making this commitment should include a procurement plan that illustrates how this will be accomplished.

Prioritization

A locality may only submit one application requesting no more than \$500,000; therefore, localities must identify and authorize the project that will have the most meaningful impact on local community revitalization and economic development efforts. As such, a resolution from the local governing body authorizing the request for funding is an application requirement. If the locality is applying on behalf of a non-profit or private for-profit, the resolution should indicate the specific amount of additional leverage and identify the entity that will be responsible for providing the leverage funds. A project that encompasses multiple adjacent properties, even if there are various owners, is eligible for consideration if the locality includes all in one application.

SUBMISSION REQUIREMENTS

Applicants must first submit a pre-application to DHCD that will include basic information about the project, including ARPA eligibility, ownership, description of the current condition of the property, intended use of MUMS funds, intended end use, and financing plan. DHCD will review the pre-application and invite a full application to those projects that meet the requirements of the program and have a strong probability of success.

Full applications for MUMS funding must be submitted through DHCD's Centralized Application Management System (CAMS) and will be accepted on a rolling basis until all funds are obligated, but no later than December 31, 2023. You may access CAMS using the following link: <https://dmz1.dhcd.virginia.gov/camsportal/Login.aspx>

SCORING

Funds will be allocated to projects that will lead to the efficient and immediate redevelopment and/or reuse of abandoned or underutilized structures. Applications will be evaluated according to a scoring system and projects must score greater than 80% to be considered for funding. Scoring criteria and point allocation will be as follows:

- Relationship to Economic Development Strategy: 10%
- Readiness: 30%
- End Use Plans: 15%
- Economic Impact: 25%
- Distress: 15%
- Other Considerations: 5%
- TOTAL 100%

A strong application will be able to document that the project is ready-to-go but could not be finished without the injection of the MUMS funds.

PERFORMANCE AGREEMENTS & CONTRACTUAL OBLIGATIONS

Successful applicants will be required to sign a contract/performance agreement committing them to the economic outcomes, property use, fund use and match outlined in the approved application and any pre-contract/performance agreement negotiations.

All applications, contracts and performance agreements are subject to negotiation with DHCD. All projects will be required to have a deed covenant/restriction or a lien for a period of 10 years that requires DHCD approval prior to any sale or change in end-use for the property. In the case of a sale to a private sector entity and/or a change of use during the 10-year period, DHCD may require a prorated repayment of the MUMS funds based on the number of years of the deed restriction remaining.

All approved projects will be committed to a project completion date of 18 months from contract execution/loan closing, by which all activities must be completed and drawdown requests/loan disbursements submitted to DHCD/VCC. Any project that receives funding and does not use all of its designated funds by the project completion date specified in its contract/loan award may lose the remaining fund balance.

SUBSTANTIAL PROJECT CHANGES AFTER APPLICATION SUBMITTAL

DHCD reserves the right to rescind the funding offer if substantial changes to the project scope and/or financing needs occur after application submission. DHCD will be concerned of the impact of such on project cash flow, project timing, need for MUMS funding, intent of the MUMS program, and projected outcomes as outlined in the original application. To maintain consideration for MUMS funding, substantial changes to project scope and/or budget will require applicants to provide DHCD with an updated description of the project.

CONTACT INFORMATION

For more information on the MUMS program, please contact:

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[1] For example, a project with an intended end use in the hospitality and/or tourism industry can claim eligibility by stating that their industry faced disproportionate impacts due to the COVID 19 pandemic. Alternatively, a project located in a low-income or primarily minority neighborhood, which faced disproportionate public health and economic harms caused by the pandemic, can claim eligibility by stating their location in that community. This is a non-exhaustive list, and applicants are encouraged to consider the wide array of impacts of the pandemic in their attestation and to take the broadest definition when considering their application.