

# Chapter 1

## Program Overview and Project Start-Up

### Introduction

The U.S. Department of Housing and Urban Development (HUD) allocates Community Development Block Grant (CDBG) funding to the State of Michigan, through the Michigan Strategic Fund (MSF) with assistance from the Michigan Economic Development Corporation (MEDC), for further distribution to eligible Units of General Local Government (UGLGs) to carry out MSF-approved activities. The federal statutory authority for the CDBG program is the Housing and Community Development Act of 1974, as amended (HCDA).

This Grant Administration Manual (GAM) is intended as an overarching guide for UGLGs that have received CDBG grants from MSF. It outlines the Federal rules that govern the use of CDBG awards as well as the MEDC's policies regulating the application process and the on-going operation of its CDBG-funded programs from initial award to grant close-out. This GAM should be used in conjunction with the official Funding Guide. The GAM may also serve as a resource for the MEDC staff as well as members of the public that are interested in the details of CDBG program and how it will operate.

### Role of the Michigan Strategic Fund (MSF)

The MSF was created by P.A. 270 of 1984 and has broad authority to promote economic development and create jobs. The MSF Board has the following responsibilities:

- Approve grants and loans under the Michigan Business Development Program and Michigan Community Revitalization Program.
- Approve the use of Private Activity Revenue Bonds.
- Approve grants under the Community Development Block Grant Program.
- Recommend to the State Administrative Board Agricultural Processing, Renewable Energy and Forest Products Processing Renaissance Zone designations.
- Approve Tool and Die Renaissance Recovery Zones.
- Act as the fiduciary agent with respect to the 21st Century Jobs Fund investments.
- Pursuant to statute, the Chief Compliance Officer provides advice and guidance in regard to the 21st Century Jobs Fund.

The MSF recommends the portion of the Consolidated Plan related to the CDBG program and the CDBG Action Plan for approval by HUD. The MSF approves the Funding Guide, which outlines the eligible grantees, the guidelines for program design, and the selection criteria for all economic and community development projects. The MSF also ultimately approves all CDBG grant awards, grant increases, and changes to beneficiaries.

### Role of the Michigan Economic Development Authority (MEDC)

The MEDC is a public-private partnership serving as the State's marketing arm and lead agency for business, talent and jobs, tourism, film and digital incentives, arts and cultural grants, and overall

economic growth. MEDC offers a number of business assistance services and capital programs for business attraction and acceleration, economic gardening, entrepreneurship, strategic partnerships, talent enhancement, and urban and community development.

The State CDBG Program is one of many programs managed by the MEDC. The MEDC manages this program through a Memorandum of Understanding to act as the third-party administrator for the program.

MEDC staff recommends policy documents, grant awards, grant increases, and changes to beneficiaries to the MSF for consideration. The MEDC manages all grants approved by the board, including assuring compliance, processing payments, and monitoring. The business and community development portions of the State's CDBG program are identified and administered directly by the MEDC on behalf of the MSF.

### **Role of Grantee (UGLG)**

The grantee (i.e., the UGLG) applies for and receives CDBG funds from the MSF. The UGLG is the responsible party for the CDBG grant and enters into the contract (Grant Agreement) with the MSF. As the award UGLG, the grantee receives CDBG grant disbursements, assures compliance, and ensures that the CDBG funds will be used for the purposes intended. The UGLG must engage a Certified Grant Administrator to assist in grant administration.

### **Role of the Grant Administrator**

The Grant Administrator represents the UGLG participating in the CDBG program. The administrator is responsible for compliance with federal regulations, policy guidelines, and program oversight. Some examples of responsibilities are as follows:

- Coordinates with key players involved in the grant, i.e., engineers, contractors, property owners, employers.
- Ensures compliance with Grant Agreement terms.
- Reviews and submits compliance documentation including environmental review, procurement, acquisition/relocation, federal labor standards, civil rights, and National Objective.
- Prepares required reports for UGLG's submission.
- Prepares payment requests for UGLG's submission.
- Prepares for monitoring and site visits, and makes documents and other program information available for the monitors.
- Collects and prepares grant closeout documentation for UGLG submission.

### **Role of Program Specialist**

Program Specialists are highly trained MEDC staff and will be the primary contact at MEDC for an UGLG and Grant Administrator after Grant Agreement. The Program Specialist has a full working knowledge of the overall state and federal program regulations, a detailed knowledge of each UGLG's project and its major participants. Each Program Specialist is assigned the specific UGLGs and project

for whom she/he will be responsible. The Program Specialist will be responsible for oversight, problem identification, problem resolution, and UGLG relations. All communications regarding specific projects should be directed to the Program Specialist assigned to the UGLG's project.

## Grant Process

Applications are received on an ongoing basis and may include competitive grant rounds as well for eligible activities as defined in the Funding Guide. In either case, the process remains the same. Once a project is identified, the UGLG works with MEDC staff to perform the following steps:

1. Application
2. Term Sheet
3. Environmental Review
4. Financial Review, if applicable
5. Recommendation by the MEDC to MSF on project funding
6. Grant Approval by the MSF
7. Grant Agreement
8. Grant Administration
9. Grant Closeout

## Section 1 – Project Start-Up & Responsibilities

Project start-up refers to the completion and execution of documents and agreements required before receiving grant funds. It also should incorporate strategic planning by the UGLG about how funded activities will be managed and implemented. Please refer to the Funding Guide on guidance regarding the process prior to submission of the Application.

This section provides an overview of the responsibilities of the UGLG grantee and the required documents that UGLGs need to submit before receiving their funding allocation. It also provides guidance to UGLGs about how to get started and information about recordkeeping and compliance with other Federal regulations. Forms are provided at the end of the chapter.

All reports and correspondence received by the MSF or MEDC must include the grant number and title.

The UGLG or the Grant Administrator should work closely with the MEDC staff during the multi-step application process. The following paragraphs serve as an overview for how the collaborative process should work, but throughout this chapter and subsequent chapters, particular topics are covered in more detail. The UGLG should familiarize themselves with all chapters of the CDBG Administrative Manual prior to embarking on a project.

Once Project Information has been approved, the UGLG will receive an Offer Letter/Letter of Interest from the MEDC outlining the terms of the proposed funding.

## Application and Environmental Review

The Application is provided to the UGLG once the Offer Letter/Letter of Interest has been returned. The UGLG should also begin the Environmental Review at this time, if they have not already done so. Please note, it is essential that the UGLG not spend any funds (Federal or otherwise), with the exception of non-CDBG funded administrative funds, on the project. The UGLG must also ensure that neither it nor its agents take any actions that would limit the options for a particular property to be assisted, regardless of whether or not these actions involve expenditures. Refer to Chapter Five– Environmental Review for a detailed explanation of the environmental review process. For more information on what costs can be incurred and when, please refer to the Funding Guide. As a part of the environmental review process, the UGLG must ensure that the necessary citizen participation has occurred, work to resolve any outstanding issues or questions identified during that process or by the MEDC team.

The Application can be completed concurrently with the Environmental Review.

## Grant Agreement

The Grant Agreement includes terms and conditions, which consist of guidelines, laws, and requirements under which the grant is to be administered. The Grant Agreement incorporates by reference, the CDBG application, certifications, and other materials related to the CDBG application for assistance.

- The Grant Agreement identifies the following information:
  - Grant title,
  - Project category,
  - Effective date,
  - Award amount,
  - Term of work, and
  - Grant number. (Please use on all correspondence to the Program Specialist concerning the project.)
- The Grant Agreement also identifies any special conditions to the grant. Special conditions vary from grant to grant, and may address a number of different issues. Generally, the conditions will restrict the draw down, or obligation of grant funds, until the conditions have been met and approved.
- An official of the UGLG with legal authority to execute contracts must sign and return a copy to the Program Specialist.
- The Program Specialist will return one copy once fully executed by the MSF Fund Manager for the UGLG’s project files.

## CDBG Pre-Disbursement Checklist

After the Agreements referenced above have been executed, the UGLG may proceed with the implementation phase of their project. However, before the UGLG may draw down any grant funds, it must complete all Pre-Disbursement conditions. These conditions identify the actions and the

documentation that must be completed by the UGLG in order to move forward. A list of conditions will be provided by the Program Specialist. No grant funds will be released until all applicable items have been received and are found to be acceptable. At that time, the UGLG can start to process payment requests, if other terms of the agreement have been met. Chapter 8: Financial Management offers a detailed description of the financial process.

### **Regular Reporting**

The Grantee shall provide semi-annual Progress Reports (Form 1-A) each year the grant is open. The Grantee shall provide a final Program Progress Report and all other required close out documents specified by the MSF within 120 days of the expiration of the Term. Grantees, if applicable, will be required to provide semi-annual Job Creation Summary Reports (Form 2-C). A Section 3 Compliance Certification form, as well as, a Section 3 Summary Report will be needed annually by June 30 as explained in detail in Chapter 9.

## **Section 2 - Time Frame for Project Completion**

The Grant Agreement will indicate the period established for completion of all grant activities. Generally, UGLGs are expected to complete projects and close-out the grant within 24 months.

Completion of program activities within the established time frames identified in the approved application is extremely important because future funding decisions will take into account timely implementation. The UGLG must demonstrate satisfactory program progress within six months of receiving the grant award or otherwise described in the UGLG's Grant Agreement.

At other times during the grant period, if UGLGs are found in significant non-compliance with their project schedules, the Program Specialist may make a determination to terminate unobligated CDBG funds or institute other sanctions, as appropriate. UGLGs should always notify the Program Specialist in writing when significant project delays have occurred and the reasons should be identified.

If, for reasons beyond the control of the UGLG, it appears that an extension beyond the approved grant period will be necessary, a written Grant Amendment Request (Form 12-B) should be sent to the Program Specialist.

## **Chapter 1 Form(s)**

- 1-A Progress Report
- 2-C Job Creation Summary Report and Income Certification Calculator
- 9-C Section 3 Summary Report, HUD-60002
- 9-D Contract Solicitation and Section 3 Reporting Record