

## CHAPTER 1 PROGRAM OVERVIEW

### 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 closeout. This GAM should be used in conjunction with the official [CDBG 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:

1. Approve grants and loans under the Michigan Business Development Program and Michigan Community Revitalization Program.
2. Approve the use of Private Activity Revenue Bonds.
3. Approve grants under the Community Development Block Grant Program.
4. Recommend to the State Administrative Board Agricultural Processing, Renewable Energy and Forest Products Processing Renaissance Zone designations.
5. Approve Tool and Die Renaissance Recovery Zones.
6. Act as the fiduciary agent with respect to the 21st Century Jobs Fund investments.
7. 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 CORPORATION (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 (CGA) 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:

1. Coordinates with key players involved in the grant, i.e., engineers, contractors, property owners, employers.
2. Ensures compliance with Grant Agreement terms.
3. Reviews and submits compliance documentation including environmental review, procurement, acquisition/relocation, federal labor standards, civil rights, and National Objective.
4. Prepares required reports for UGLG's submission.
5. Prepares payment requests for UGLG's submission.
6. Prepares for monitoring and site visits and makes documents and other program information available for the monitors.
7. 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 (building owners, business owners, third parties to Grant Agreement)
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 – APPLICATION PROCESS

This section provides an overview of the responsibilities and documents required to be submitted by the UGLG to determine if the request for funding will be approved. It also provides guidance to UGLGs on getting started, compliance with other Federal regulations, and recordkeeping. Forms are provided at the end of each chapter.

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

The UGLG and/or CGA will work closely with the MEDC staff during the application process. The following paragraphs are an overview for the collaborative process; however, throughout this chapter, and subsequent chapters, particular topics are covered in more detail. The UGLG should familiarize themselves with all chapters of the GAM prior to initiating a project.

Upon review and approval of the completed Application and required attachments, the UGLG will receive a Letter of Interest from the MEDC outlining the terms of the proposed funding. The UGLG and/or CGA will move forward with guidance from the MEDC staff and will vary depending on the project initiative being funded. The following items will be completed for all projects:

1. Letter of Interest provided to UGLG from MEDC.
2. Letter of Interest signed by UGLG and returned to MEDC.
3. Request for Proposal for CGA, if applicable.
4. Environmental Review process begins. See GAM Chapter 5.
5. 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 these actions involve expenditures
6. The UGLG must ensure that the necessary Citizen Participation has occurred. See GAM Chapter 11.

## SECTION 2 - 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 several 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.

## SECTION 3 - PROJECT IMPLEMENTATION, REPORTING AND COMPLETION

### CDBG PRE-DISBURSEMENT CHECKLIST

Upon execution of the Grant Agreement, the UGLG may proceed with the implementation of the 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. See GAM Chapter 8, Financial Management.

### REGULAR REPORTING

The Grantee shall provide required documentations and reporting as set forth in applicable GAM Chapters.

### COMPLETION

The Grant Agreement will indicate the period established for completion of all grant activities. Generally, UGLGs are expected to complete projects and closeout 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 consider 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 decide 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 1-C) should be sent to the Program Specialist.

## SECTION 4 – CONFLICT OF INTEREST

The CDBG requirements pertaining to conflict of interest are summarized in the following paragraphs. In addition, see Conflict of Interest Regulation (Form 1-B).

1. **Conflicts Prohibited.** Except for the use of CDBG funds to pay salaries and other related administrative or personnel costs, the general rule is that no persons (described below under "Persons Covered") who exercise or have exercised any functions or responsibilities with respect to CDBG activities or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.
2. **Persons Covered.** The conflicts of interest provisions apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the State, the unit of local government, or of any designated public agencies or subrecipients that are receiving CDBG funds.
3. **Exceptions.** Upon the written request of the applicant/recipient, MSF may grant an exception to the provisions of this section on a case-by-case basis when it determines that such an exception will further the purposes of Title I and the effective and efficient administration of the program, project of the State, or the unit of local government. An exception may be considered only after the local government has provided the following:
  - a. A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made;

- b. A certification the affected person has withdrawn from his or her functions or responsibilities, or the decision-making process with respect to the specific assisted activity in question; and
  - c. An opinion of the local government's attorney that the interest for which the exception is sought would not violate State or local law. In addition, grants administration may also require an opinion from the State Ethics Board that the conflict does not violate State law.
4. **Factors To Be Considered For Exceptions.** In determining whether to grant a requested exception after the local government has satisfactorily met the above requirements, the MSF shall consider the cumulative effect of the following factors, where applicable:
- a. Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project which would otherwise not be available.
  - b. Whether an opportunity was provided for open, competitive bidding, or negotiation.
  - c. Whether the person affected is a member of a group of low or moderate income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class.
  - d. Whether the interest or benefit was present before the affected person was in a position as previously described.
  - e. Whether undue hardship will result either to the State or local government or the person affected when weighed against the public interest served by avoiding the prohibited conflicts.
  - f. Any other relevant considerations.

## SECTION 5 - GRANT AMENDMENTS

An **Grant Amendment** is defined as any change in the grant that involves some or all of the following (1) introduce a new activity to the project, (2) *significantly* alter existing activities or beneficiaries, (3) extend the term of work, or (4) changes to the award budget. To request a grant amendment the UGLG must submit:

1. A completed Grant Amendment Request (Form 1-C) from the authorized official to the Program Specialist outlining the proposed changes. Revised Application Budget form, if applicable.
2. Public Notice 15-day notice if applicable.
3. Local resolution from the UGLG's governing board in support of the amendment, if applicable. The local resolution must be passed after the public hearing or appropriate/approved action plan requirements.
4. Environmental review, if applicable (see 24 CFR Sec. 58.47).
5. A map of the project area, showing the original project area, the new project area and distinguishing what is being added and deleted.

## CHAPTER 1 FORMS

- 1-A Progress Report (hard copy optional as this data is collected on Salesforce metric)
- 1-B Conflict of Interest
- 1-C Grant Amendment Request