


PROGRAM YEAR 2020 FUNDING GUIDE STATE OF MICHIGAN



COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

For eligible activities administered by the Michigan Economic Development Corporation (MEDC) on behalf of the Michigan Strategic Fund (MSF). This Funding Guide may be accessed at www.miplace.org. The electronic version on the website is the most recent version, and is the only official version, of the document. Revisions are made periodically. If the user is consulting a version date differing from the version date of the official version on the website, then changes have been made and you should only reference the official version.

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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. For a complete summary of approved program uses, refer to Michigan Consolidated Plan. Throughout this document, all references to CDBG Funds or CDBG Program refer to the State allocation to the MSF.

ELIGIBLE APPLICANTS

CDBG program funds are used to provide grants and loans to UGLGs, usually with populations under 50,000 (referred to as “non-entitlement jurisdictions”), in support of economic or community development projects. Project proposals are considered and evaluated continuously based upon this Funding Guide. The following are eligible applicants:

- **Small cities, townships, and villages** less than 50,000 in population.
- **Non-urban counties**
- **Projects Occurring in Entitlement Areas.** There are projects where it is more practical and feasible for a CDBG activity to occur within the boundaries of an ineligible applicant (see list below); however, it will significantly benefit a non-entitlement area. The MEDC will only consider a project with elements occurring in an entitlement area if there is an eligible UGLG and the entitlement community makes a meaningful contribution to the project. Meaningful contribution is a direct cash match to the State CDBG funds of 10% or more. This match requirement would be in addition to the required match for the project.

For example, a company is planning to locate near the border of an ineligible city but within the township. Infrastructure improvements are needed within the ineligible community to allow for this expansion. The project has elements within the entitlement area, but the County is an eligible UGLG and will receive significant benefit.

INELIGIBLE APPLICANTS

The following **counties and their respective UGLGs** are **not** eligible to directly apply or directly receive CDBG Funds unless they can provide documentation that they have opted out of their direct HUD allocation and were accounted for in the State’s current formula allocation:

Genesee County
Kent County
Macomb County

Oakland County
Washtenaw County
Wayne County

The following **Michigan cities** are **not** eligible to directly apply or directly receive CDBG Funds:

Battle Creek
Bay City
Benton Harbor
East Lansing
Holland
Jackson

Kalamazoo
Lansing
Midland
Monroe
Muskegon
Muskegon Heights

Niles
Norton Shores
Portage
Port Huron
Saginaw

Indian tribes eligible for assistance under Section 107(a)(7) of the Housing and Community Development Act (HCDA)* are **not eligible** to directly apply for or directly receive CDBG Funds, but an eligible county or township may apply for CDBG Funds for projects located on Indian reservations if the UGLG has the legal authority to fund such projects on Indian reservations and Indian preference is not provided.

NATIONAL OBJECTIVE REQUIREMENTS

Under the CDBG Program, all projects **must meet one** of the following National Objectives and the statutorily mandated requirements to be considered for funding:

1. **BENEFIT PERSONS OF LOW AND MODERATE INCOME (LMI)*.** As defined by Section 104(b)(3) of the HCDA and 24 CFR 570.483, the activities will benefit persons of LMI as set forth below:

- a. **LMI Area Benefit (LMA) Projects** must provide benefit to the entire UGLG identified as LMI Communities, where at least 51% of the residents are LMI persons. See, the [Michigan CDBG Program Low-Moderate Income Community Customer List](#) located in the Supporting Documents & Links section. In setting priority for funding, Community Development, within the MEDC, has defined a “traditional downtown” or “traditional commercial corridor” as a grouping of 20 or more contiguous commercial parcels, containing buildings of historical or architectural significance. Also, an income survey* may be completed if the local community has reason to believe that the service area is actually at or above 51% LMI persons. The results of the income survey may allow the UGLG to qualify as a LMI community.

LMI Limited Clientele* is another way to qualify specific activities under the LMI benefit national objective. Under this category, 51 percent of the beneficiaries of an activity must be LMI persons.

Activities in this category provide benefits to a specific group of persons rather than everyone in an area. It may benefit persons without regard to their residence, or it may be an activity that provides a benefit to only particular persons within a specific area.

With respect to determining the beneficiaries of activities as LMI and qualifying under the limited clientele category, activities must benefit a clientele that is generally presumed by HUD to be principally LMI. This presumption covers abused children, battered spouses, elderly persons, severely disabled adults, homeless persons, illiterate adults, persons living with AIDS and migrant farm workers.

LMI Job Creation Projects must result in job creation* or retention where at least 51% of the jobs are made available to, or held by, LMI persons. Very low, low, and moderate-income limits are defined each year by HUD, and identify household income levels by household size. Typically the moderate-income level is 80% of the county median family income and is based on the income level of the household and not the individual filling the job. For job creation projects, the very low, low, and moderate-income requirement is applied at the time of hire. Job creation only refers to new jobs or jobs to the company and the United States. Jobs are not counted unless they are hired after the effective date of the grant agreement.

Ineligible jobs include, but are not limited to, construction jobs, temporary jobs, transferred jobs and layoff recalls.

For job creation, the business must also provide HUD-required information as outlined in the Income Certification form* to be completed by new hires and the Job Creation Summary Report*

Seasonal jobs may be considered to be permanent only if the season is long enough for the job to be considered as the employees' principal occupation. Only those jobs, which are created, or retained, within the grant project period, will be considered in meeting the National Objective and screening guidelines.

“Anti-Pirating” of Jobs.* Section 588 of the Quality Housing and Work Responsibility Act of 1998 prohibits States and UGLGs from using CDBG funds for employment relocation activities or “job pirating”.

- b. **LMI Housing (Rental Rehabilitation) Projects** are those moderate or substantial rehabilitation activities of vacant rental housing or conversion of vacant space to rental units of which 51% of total units will be occupied by LMI households upon completion. Rental units must be occupied by LMI households at affordable rents. LMI household means a household having an income equal to or less than the Section 8

low-income limits established by HUD. This distinction is very important because there can be situations where the persons residing in an assisted housing unit are not all members of the same family. Compliance with the LMI benefit national objective is based on the initial occupancy of the rental unit following the completion of the CDBG assisted work. Income eligibility must be determined prior to lease signing, with new leases requiring a minimum duration of 1 year.

Housing Quality Standards (HQS)* will be required. Projects must demonstrate that there is a fair and equitable distribution of units. All units affordable and market rate should be of the same quality and size throughout the building. Units will have no size requirement but will be determined by what is appropriate for the market. Davis Bacon will not be triggered when a project is only completing residential work and if there are less than eight units total.

2. **PREVENTION OR ELIMINATION OF SLUMS OR BLIGHT.** As defined by 24CFR 570.483, these activities will aid in the prevention or elimination of slums or blight and are qualified on an area basis or spot basis (see Blight in Appendix).
 - a. For **Area Blight**, the area must be designated as a slum or blighted area by the UGLG through a resolution and must meet the definition of a slum, blighted, deteriorated, or deteriorating area under a State or local ordinance.
 - b. For **Spot Blight**, the UGLG must provide certification from a licensed building inspector that the project site meets:
 - 1) the definition of blight as defined in a local ordinance or the Brownfield Redevelopment Financing Act 381 of 1996, MCL 125.2652 (c) (i) - (vii),
 - 2) the reasoning for that determination, and
 - 3) how the proposed project will eliminate the blight causing elements.

Historic preservation activities are limited instead to activities that are determined to contribute to the conservation, and preservation of historic buildings, places, and areas for Title I purposes, properties that qualify as historic properties are landmarks, districts, sites, buildings, structures or objectives which are:

- listed in or eligible for listing in the National Register of Historic Places, or
 - certified as historic properties by the Secretary of the Interior for purposes of the Economic Recovery Tax Act or related Federal tax laws, or
 - listed in a State or local inventory of historic places, or
 - designated by State law or local ordinances as a State or local landmark or historic district
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 - designated by State law or local ordinances as a State or local landmark or historic district
3. **URGENT NEED*** The activities are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, where the community is unable to finance the activity on its own and where other financial resources are not available to meet such needs, as defined by 24 CFR 570.483.

Urgent Need projects are only supported by the MEDC when the projects have a larger regional or statewide impact and a declaration of a State of Emergency has been issued.

All grantees will be required to comply with all current and newly adopted reporting requirements, including all items necessary to document compliance within the Integrated Disbursement and Information System (IDIS).

FUNDING PLATFORM OVERVIEW

The MEDC has identified the following CDBG-funded projects consistent with Section 105(a) of Title I of the HCDA (Housing and Community Development Act) and to provide guidance and assistance for CDBG Program Year 2020.

BUILDING REHABILITATION
CDBG LOAN PROGRAM
DIRECT ASSISTANCE TO BUSINESS
FAÇADE IMPROVEMENTS
PUBLIC FACILITIES
RENTAL REHABILITATION
PUBLIC IMPROVEMENTS (PUBLIC INFRASTRUCTURE)
UNIQUE/INNOVATIVE
CARES COVID-19 RESPONSE PUBLIC SERVICES

All projects will be evaluated on the following in addition to all other criteria set forth in this Funding Guide:

Economic Impact: Proposed projects are evaluated on their economic impact, including the diversification of the economic base of the local and state economies.

Financial Viability: All projects must be financially viable. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.

Local Participation: Proposed projects are expected to demonstrate local government support.

BUILDING REHABILITATION		
Overview	<p>Projects to eliminate conditions of blight that are detrimental to public health and safety or necessary for historic preservation through rehabilitations of individual buildings. Projects must include interior building rehabilitation activities only, or <u>both</u> interior and exterior renovations</p> <p>Funding is also available for projects that will rehabilitate buildings that currently contribute to the deterioration of the downtown. These areas are established by a Community through a local ordinance and projects are limited to addressing the conditions contributing to local deterioration.</p>	
Eligibility	National Objective	Eligible Activities
	Spot Blight	<ul style="list-style-type: none"> ▪ Historic Preservation ▪ Acquisition ▪ Rehabilitation
Minimum Grant Amount	\$50,000	
Maximum Grant Amount	\$2 million	
Match Requirement	50%	
Priority	<p>Funding priority will be given to:</p> <ul style="list-style-type: none"> ▪ the rehabilitation of vacant, deteriorated and abandoned buildings which are blighted and detrimental to public health and safety. ▪ Projects that leverage the greatest amount of private and public funding 	
Funding Window	Open Application	

CDBG LOAN PROGRAM	
Overview	<p>The intended purpose of the CDBG Loan Program (CLP)* is to provide loans to eligible small businesses, or UGLGs, to meet a National Objective.</p> <p>Regionalized and Local fund managers administer the loan programs for select communities throughout the state.</p> <p>CDBG Loan funds can be used in conjunction with CDBG grant funds in an eligible project.</p>
National Objective	<p>LMA Community: Area Benefit, Blight, Job Creation Non-LMA Community: Blight, Job Creation</p>
Eligible Activities	<ul style="list-style-type: none"> ▪ Acquisition ▪ Administration ▪ Architecture / Engineering ▪ Building Improvements ▪ Demolition ▪ Infrastructure Improvements ▪ Machinery / Equipment ▪ Planning ▪ Working Capital
Minimum Loan Amount	\$20,000
Maximum Loan Amount	N/A
Match Requirement	N/A
Priority	N/A
Funding Window	Open Application

DIRECT ASSISTANCE TO BUSINESS		
Overview	Direct Assistance to Business is designed to provide grant funding for proposed projects that will result in job creation. Projects are expected to: <ul style="list-style-type: none"> ▪ Result in the creation of FTEs of which at least 51% of the created positions will be held by LMI persons. ▪ Create and/or retain the largest number of positions with the least amount of CDBG investment ▪ Leverage private investment funds ▪ Not to exceed \$35,000 of CDBG funds per FTE Created. 	
Eligibility	National Objective	Eligible Activities
	Job Creation	<ul style="list-style-type: none"> ▪ Acquisition ▪ Clearance ▪ Construction ▪ Expansion ▪ Rehabilitation ▪ Machinery & Equipment ▪ Working Capital ▪ Streets for Commercial/Industrial Sites ▪ Water/Sewer for Commercial/Industrial Sites ▪ Parking for Commercial/Industrial Sites ▪ Rail for Commercial/Industrial Sites
	COVID-19 Response Priority	<ul style="list-style-type: none"> ▪ Businesses that provide medical, food delivery, cleaning, and other services to support home health and quarantine. ▪ Businesses that manufacture medical supplies necessary to respond to infectious disease. ▪ Business equipment needed to adapt to providing e-commerce and delivery.
Minimum Grant Amount	\$50,000	
Maximum Grant Amount	Not to exceed \$35,000 of CDBG funds per FTE Created.	
Match Requirement	At least 50% of eligible project costs based on financial need defined by financial underwriting.	
Priority	Funding priority will be given to: <ul style="list-style-type: none"> ▪ Projects creating 10 or more permanent full-time positions ▪ Projects that pay an average hourly rate of at least the current State of Michigan minimum wage or 75% of the average hourly wage rate for the applicable county. ▪ Projects that leverage the greatest amount of private and public funding. 	
Funding Window	Open Application	

FAÇADE IMPROVEMENTS							
Overview	<p>The Façade Improvement funding is for improvements to multiple facades for businesses along a local commercial district that serves an LMI community. Additionally, façades that are specifically identified in a community designated blighted area may be funded.</p> <p>Communities with a population:</p> <ul style="list-style-type: none"> ▪ of <u>15,000 or less</u> must have at least 2 (but no more than 4) participating properties ▪ <u>over 15,000</u> must have at least 3 (but no more than 5) participating properties <p>Projects that include both interior <u>and</u> exterior rehabilitation activities should be identified as a Building Rehabilitation Initiative project.</p>						
Eligibility	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">National Objective</th> <th>Eligible Activities</th> </tr> </thead> <tbody> <tr> <td>Area Benefit</td> <td> <ul style="list-style-type: none"> ▪ Rehabilitation of the facade of a building, especially the principal front that looks onto a street or public space that is visible to the public. </td> </tr> <tr> <td>Area Blight</td> <td> <ul style="list-style-type: none"> ▪ Rehabilitation of the facade of a building, especially the principal front that looks onto a street or public space that is visible to the public. </td> </tr> </tbody> </table>	National Objective	Eligible Activities	Area Benefit	<ul style="list-style-type: none"> ▪ Rehabilitation of the facade of a building, especially the principal front that looks onto a street or public space that is visible to the public. 	Area Blight	<ul style="list-style-type: none"> ▪ Rehabilitation of the facade of a building, especially the principal front that looks onto a street or public space that is visible to the public.
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Area Benefit	<ul style="list-style-type: none"> ▪ Rehabilitation of the facade of a building, especially the principal front that looks onto a street or public space that is visible to the public. 						
Area Blight	<ul style="list-style-type: none"> ▪ Rehabilitation of the facade of a building, especially the principal front that looks onto a street or public space that is visible to the public. 						
Minimum Grant Amount	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">\$50,000 total, for all participating buildings</td> <td style="width: 50%;">Maximum Grant Amount \$750,000 total for all participating buildings</td> </tr> </table>	\$50,000 total, for all participating buildings	Maximum Grant Amount \$750,000 total for all participating buildings				
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Match Requirement	<p>At least 25% of eligible project costs per building.</p> <p>Building owners, consistent with federal requirements, must demonstrate a financial need for CDBG funding.</p> <p>“complete and transformative exterior historic rehabilitation projects” must meet the Secretary of Interior’s Standards for Rehabilitation</p> <p>Participating property owners will be required to escrow contributing funds prior to MSF approval.</p>						
Priority	<p>Funding priority will be given to:</p> <ul style="list-style-type: none"> ▪ Projects that have participating properties in the closest proximity to one another. ▪ Projects that leverage the greatest amount of private and public funding. 						
Funding Window	Open Application						

PUBLIC FACILITIES			
Overview	<p>Public Facilities are buildings or structures that are publicly owned or owned by a non-profit (501(c)3), and open to the general public for access to public services at the facility. These buildings may not be used in whole or in part for the general conduct of government.</p> <p>Limited Clientele Facilities are buildings that are publicly owned or owned by a Non-Profit and is used to support a limited clientele, through providing necessary services, excluding permanent housing.</p> <p>In addition:</p> <ul style="list-style-type: none"> ▪ Communities will have identified potential funding sources ▪ Community has a maintenance and sustainability plan related to the new project and has identified sources for related funding. <p><i>Retail activity is not a public service and is ineligible in qualifying a public facility.</i></p>		
Eligibility	National Objective	Eligible Activities	
	Area Benefit	<p>Public Facilities: Acquisition, Rehabilitation of;</p> <ul style="list-style-type: none"> ▪ Neighborhood Facilities - facilities that are principally designed to serve a neighborhood and that will be used for social services. Such facilities may include libraries and community centers. ▪ Parks, Recreational Facilities - Development of open space areas or facilities intended primarily for recreational use (ex: playgrounds) 	
	Limited Clientele	<p>Limited Clientele Facilities: Acquisition, Rehabilitation of;</p> <ul style="list-style-type: none"> ▪ Senior Centers - facilities (except permanent housing) for seniors. ▪ Facilities for Persons with Disabilities – Centers, group homes, and other facilities for persons with disabilities. ▪ Youth Centers - facilities intended primarily for young people age 13-19, including playground and recreational facilities that are part of a youth center. ▪ Child Care Centers - facilities intended primarily for children age 12 and under. Examples are daycare centers and Head Start preschool centers. ▪ Facilities for Abused and Neglected Children - daycare centers, treatment facilities, or temporary housing for abused and neglected children. 	
	COVID-19 Response	<p>Acquisition, Rehabilitation or Construction of Facilities for;</p> <ul style="list-style-type: none"> ▪ Accommodating Isolation or Quarantine. ▪ Testing, diagnosis, or treatment of patients. ▪ Facilities that are necessary to respond to COVID-19 	
Associated Eligible Activities	Limited Public Improvements that are necessary for the completion of a Public Facility Project may be included such as; Sidewalks, Solid Waste Disposal, Street Improvements, and Water/Sewer Improvements.		
Minimum Grant Amount	\$50,000	Maximum Grant Amount	\$2 million
Match Requirement	10% up to \$1 million 25% over \$1 million		
Priority	<p>Funding priority will be given to:</p> <ul style="list-style-type: none"> ▪ Projects that provide access to a new type of facility not currently available. ▪ Projects that will reactivate underutilized property. 		
Funding Window	Open Application		

RENTAL REHABILITATION			
Overview	<p>Reactivation of residential space in mixed-used buildings to encourage density in downtowns. CDBG Funded activities and associated match are limited to the costs of converting non-residential space into residential units or rehabilitating existing, substandard* residential units to code-compliant standard units.</p> <p>All <u>interior</u> rehabilitation must be in accordance with all locally adopted building and housing codes, standards and ordinances. If locally adopted and enforced building and housing codes do not exist, refer to the Housing Quality Standards (HQS) as set forth in 24 CFR 982.401.</p> <p>For <u>exterior</u> rehabilitation projects, see Building Rehabilitation Initiative.</p> <p>New leases require a minimum duration of 1 year and <u>household income verification</u> requirements met for 5 years.</p>		
Eligibility	National Objective	Eligible Activities	
	Housing	<ul style="list-style-type: none"> ▪ Conversion of nonresidential space to residential ▪ Rehabilitation of residential units ▪ Fire Suppression ▪ Abatement of lead paint 	
Minimum Grant Amount	\$50,000		
Maximum Grant Amount	N/A	Maximum CDBG Assistance per Unit	\$60,000
Match Requirement	<p>25% of total unit cost. CDBG will fund 75% of unit rehabilitation up to \$60,000 per unit.</p>		
Priority	<p>Funding priority will be given to:</p> <ul style="list-style-type: none"> ▪ Projects that leverage the greatest amount of private and public funding. 		
Funding Window	Open Applications		

PUBLIC IMPROVEMENTS (Public Infrastructure)			
Overview	<p>As identified in Section 105(a)(2) of Title I of the HCDA, Public Improvements are infrastructure elements located at street level or below grade (horizontal construction), which benefit the residents of a defined service area.</p> <p>The State CDBG Program limits the acceptance of applications for public improvement projects to funding rounds, however, will allow public improvement elements to be an eligible activity if it is deemed necessary to complete a Public Facility or Direct Assistance to Business project.</p>		
National Objectives	<p>LMA Community: Area Benefit Non-LMA Community: N/A</p>		
Open Applications	Eligible Activities	<ul style="list-style-type: none"> ▪ Street Improvements: Installation or repair of streets, street drains, storm drains, curbs and gutters, and traffic lights/signs. ▪ Sidewalks: Installation or repair of sidewalks or sidewalk improvements that include the installation of trash receptacles, lighting, benches, and trees. 	
	Minimum Grant Amount	\$50,000	Maximum Grant Amount \$2 million
	Match Requirement	25%	
	Priority	<p>Funding priority will be given to:</p> <ul style="list-style-type: none"> ▪ Projects that provide access to a new type of facility not currently available. ▪ Projects that will reactivate underutilized property. 	
Funding Rounds	Eligible Activities	<ul style="list-style-type: none"> ▪ Water/Sewer Improvements: Installation or replacement of water lines, sanitary sewers, storm sewers, and fire hydrants. ▪ Flood Drainage Improvements: Acquisition, construction, or rehabilitation of flood drainage facilities, such as retention ponds or catch basins. ▪ Solid Waste Disposal Improvements: Acquisition, construction, or rehabilitation of solid waste disposal facilities. 	
	Minimum Grant Amount	Identified at time of funding round posting	Maximum Grant Amount Identified at time of funding round posting
	Match Requirement	Identified at time of funding round posting	
	Priority	Identified at time of funding round posting	

UNIQUE / INNOVATIVE		
Overview	Funding requests may be considered by the MEDC, based on special and/or unique needs, or situations requiring innovative program approaches not specifically provided for in identified funding initiatives.	
Eligibility	National Objective	Eligible Activities
	<ul style="list-style-type: none"> ▪ Area Benefit ▪ Area Blight ▪ Spot Blight ▪ Job Creation ▪ Limited Clientele ▪ Housing 	This may include, but is not limited to: <ul style="list-style-type: none"> ▪ Brownfield site redevelopment ▪ Broadband ▪ Demolition of Blight ▪ Farm-to-food grants ▪ Job Training ▪ Targeted industry development ▪ Conversion of School buildings ▪ Planning ▪ Activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives.
Minimum Grant Amount	\$50,000	
Maximum Grant Amount	\$2 million	
Match Requirement	25 - 50% of eligible project costs based on financial need defined by financial underwriting.	
Priority	Funding priority will be given to: <ul style="list-style-type: none"> ▪ Innovative solutions to activate public space. ▪ Projects with a high percentage of local matching funds. ▪ Projects that leverage the most private funding. 	
Funding Window	Open Application	

CARES COVID-19 Response PUBLIC SERVICES	
Overview	Funding for services, that are necessary to respond, mitigate, or prevent COVID-19.
Eligible Activities	<p>Operating Costs including labor, supplies, equipment, rent, and materials to:</p> <ul style="list-style-type: none"> ▪ Provide testing, diagnosis or other medical services at a fixed or mobile location. ▪ Health services for infectious disease response within existing health facilities. ▪ Training health care workers to treat disease within a community. ▪ Deliver meals to quarantined individuals or individuals that need to maintain social distancing due to medical vulnerabilities. ▪ Public Services necessary to respond to COVID-19.
Associated Facilities	For projects that involve the Acquisition, Rehabilitation of; or Construction of Facilities in which Public Services will be provided see the Public Facilities .
Minimum and Maximum Grant Amount	To be determined
Match Requirement	To be determined
Priority	<p>Funding priority will be given to:</p> <ul style="list-style-type: none"> ▪ Services that benefit Vulnerable Populations.

PROGRAM REQUIREMENTS AND COMPLIANCE

For a complete summary of program requirements, refer to the CDBG Grant Administration Manual (GAM). The GAM is the State's guide for UGLGs that have been awarded CDBG grants from the 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.

All Projects, UGLGs and Certified Grant Administrators (CGAs) are required to adhere to the following:

1. **GRANT ADMINISTRATIVE MANUAL (GAM).** The [GAM](#) is intended as a 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 from initial award to grant closeout.

UGLGs, benefited entities, businesses, developers and contractors should be aware at the outset of the existence of the federal statutes and regulations that have scheduling, cost, and substantial paperwork implications when CDBG funding is used for projects. Businesses must be prepared to accept delays and other requirements and should not harbor unrealistic expectations about the speed with which a project may develop. The following listing is by no means comprehensive, but UGLGs should be aware that the average due diligence time prior to MEDC consideration ranges from 3-6 months. This list simply highlights areas that are commonly applicable during the due diligence period.

2. **OVERVIEW OF REQUIREMENTS RELATED TO INCURRING COSTS.** Incurring project costs; including CDBG, local, and private costs prior to authorization and/or completion of the environmental review could jeopardize the proposed CDBG funding. Incurring costs includes but is not limited to signing option/purchase/easement/lease agreements, signing purchase orders for equipment, and signing consultant and construction contracts. The following provides for timing of procurement for engineering and architecture, construction, and purchases. However, all potential grantees must also follow all other CDBG requirements and should contact the CDBG office prior to signing any contract or incurring any cost related to the project. There are three types of costs:
 - a. **Preliminary Costs.** These are costs incurred prior to the date of the Offer Letter/Letter of Interest and are not allowed to count toward the local and/or private match or CDBG project cost.
 - Preliminary costs must be paid for with UGLG and/or private funds.
 - Preliminary costs must not include any project costs or be included in a contract for project costs.
 - b. **Exempt Project Costs.** These are costs for administration contracted by a third party, design, construction/oversight engineering, architectural work, and other exempt costs necessary to carry out the project activities. The timing and procurement requirements for these activities depend on who is paying for these costs.

Costs to be paid entirely with non-CDBG funding:

- 1) The community must submit a written request to the CDBG staff requesting to incur these costs. The letter must include the specific activities and the dollar amounts for these activities. The MEDC must provide written authorization to incur these costs for activities.
- 2) This can be done prior to the grant agreement being executed and prior to the completion of the environmental review.
- 3) 100% of these costs must be paid for with non-CDBG funds.
- 4) Therefore, the CDBG procurement requirements do not apply.

- 5) The contract must be signed after written authorization has been provided by the MEDC.
- 6) These costs must be included in the project activities/budget and can be counted toward the local match.

Costs to be paid in whole or in part with CDBG funds:

- 1) The community must submit a written request to the CDBG staff requesting to incur these costs. The letter must include the specific activities and the dollar amounts of these activities. The MEDC must provide written authorization to incur the costs.
 - 2) The community may need to follow the appropriate CDBG procurement requirements. These requirements depend on the activity and who is engaging the consultant, contractor, etc.
 - 3) The contract must be signed after written authorization has been provided by the MEDC.
 - 4) These costs must be included in the project activities/budget.
- c. **Non-Exempt Project Costs.** These costs include but are not limited to signing purchase/easement/lease agreements, ordering materials/machinery/equipment, and signing construction contracts after an executed Offer Letter/Letter of Interest. The procurement requirements for these activities depend on who is paying for these costs. The timing is the same regardless of who pays for these costs.
- 1) The environmental review and all other applicable CDBG requirements must be completed.
 - 2) The grant agreement must be executed.
 - 3) The community must follow the appropriate procurement requirements.
 - 4) The purchase/easement/lease agreement, material/equipment purchase order, construction contract, etc. must be signed after (i) the environmental review has been completed, (ii) the grant agreement has been executed, and (iii) written authorization has been provided by the MEDC.
3. **ADMINISTRATIVE COSTS.** A CDBG Certified Grant Administrative (CGA) may be required to administer CDBG grants, at the discretion of a CDBG Program Specialist. UGLGs will work with an assigned CDBG Program Specialist to address CDBG compliance necessary for their project and procure a CGA with a request for proposal. When the UGLG is determining the request for proposal for a CGA on a project, the UGLG must have the CGA provide justification for their administrative costs. CDBG will only pay for an administrative contract that includes work to be performed by a CGA.

Administrative costs, must be procured prior to grant agreement for cost reasonableness. The contract must outline the specific activities that will be performed and the justification for the costs. Local or other funds must be used for additional administrative and engineering cost overruns. All reimbursement requests must reflect services rendered and actual costs rather than a flat fee.

CDBG funds may not be used to assist with the application or to administer other federal or state grant programs which may be conducted in conjunction with a CDBG project.

Any costs and time funded by CDBG must be documented through the appropriate means (i.e., invoices from local newspapers for advertisements placed for hearings, postage, time sheets indicating work performed for the particular project, etc.). The documentation must be kept on file, and will be reviewed when requesting payment. More information on administrative costs are available in the GAM, *Chapter 4 - Procurement and*

Contracting, Chapter 8 - Financial Management, Chapter 10 - Construction Management and Labor Standards and Chapter 14 - Certified Grant Administrator Program.

4. **CONTINGENCY.** Funds providing for contingencies must be related to construction activities. A contingency must be identified in the specific budget line item for which it is intended and must be reasonable in amount (no more than 20%).
5. **DAVIS-BACON ACT (AND RELATED ACTS).** The Davis-Bacon Act (DBA) and Related Acts (DBRA), apply to contractors and subcontractors performing work on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings, public works or in some instances private properties. Contractors and subcontractors must pay their laborers and mechanics employed under the contract:
 - a. No less than wages including fringe benefits prevailing in the locality on projects of a similar character as determined by the Department of Labor (DOL),
 - b. Wages not less often than once per week, and
 - c. Post the applicable wage decision at the job site.

For more information and forms, see *GAM Chapter 10 – Construction Management and Labor Standards*.

6. **ENGINEERING COSTS.** Engineering costs must not exceed the industry average of 20% of the construction cost. All reimbursement requests must reflect services rendered and actual costs rather than a flat fee. More information on engineering costs and the procurement requirements related to engineering are available in the *GAM, Chapter 4 - Procurement and Contracting, Chapter 8 - Financial Management, Chapter 10 - Construction Management and Labor Standards and Chapter 14 - Certified Grant Administrator Program*.
7. **ENVIRONMENTAL REVIEW.** These federal statutes and regulations require that CDBG-assisted projects must have an appropriate environmental review process completed prior to project costs being incurred. This process must be documented with an appropriate environmental review record. The environmental review process and its documentation are the responsibility of the UGLG.

When reviewing the environmental impact, the entire project must be considered. The entire project includes all activities funded by any funding source. (CDBG and Non-CDBG funded activities) This is known as the entire "footprint" of the project—not just the portion of the project involving CDBG-funded activities — and must be aggregated when reviewing the project's environmental impact.

The time required to complete the entire process of environmental review varies considerably depending on the facts and circumstances of each project and can take as little as a few days to several months. The time requirement for this process is often underestimated by private entities and UGLGs.

Generally, in order for a project application to be viewed as complete for consideration to the MSF Board, the environmental review must be complete. Specific discussion of the environmental review requirements, including flowcharts and forms are available in *GAM Chapter 5*.

8. **FAIR HOUSING AND EQUAL OPPORTUNITY.** Applicable state and federal laws have been established to ensure that protected groups are not subjected to discrimination under any program supported, in whole or in part, with federal funds. Various laws apply to project beneficiaries, employment opportunities, contracting opportunities, and fair housing. UGLGs are required to develop Fair Housing and Section 3 plans and comply with the Section 3 and Fair Housing laws throughout the implementation of a CDBG project, as well as other equal opportunity compliance requirements. See *GAM Chapter 9* for more information.

- a. **Section 3.** Section 3 provides that to the greatest extent feasible, preference for economic opportunities such as job training, employment and contracts arising through HUD-assisted projects, shall be directed toward Section 3 residents and to business concerns who provide economic opportunities to these residents. Section 3 reporting and performance requirements apply to the UGLGs if the CDBG award amount is more than \$200,000, and to all contractors and subcontractors receiving more than \$100,000 if the \$200,000 threshold is met.
 - b. **Fair Housing.** Title 1 of the Housing and Community Development Act of 1974, as amended, requires that the UGLGs affirmatively further fair housing and adopt a fair housing ordinance.
9. **UNIFORM RELOCATION ACT (URA) and HOUSING AND COMMUNITY DEVELOPMENT ACT (HCDA).** These federal statutes and regulations require that federally-assisted projects involving acquisition, tenants, and/or demolition or conversion of lower income residential dwelling units follow required guidelines once CDBG is the likely funding source, generally at the time an Offer Letter/Letter of Interest has been issued.
- a. **Acquisition.** The UGLG is required to ensure compliance when an Agency acquires real property needed for the project. For more information and forms, see Appendix and GAM Chapter 6.
 - 1) Agency means any entity that that has the authority to acquire property by eminent domain under State law. This definition includes UGLGs. It does not include private entities that do not have the power of eminent domain.
 - 2) Real Property includes:
 - Permanent and temporary easements necessary for the projects;
 - Fee Simple title/parcel of land;
 - Long-term leases of 50 years or more; and
 - Rights of way.

The UGLG should not begin the acquisition process until the environmental review has been completed. However, after an Offer Letter/Letter of Interest has been issued, the UGLG may request and receive authorization to enter into an option agreement to gain site control while allowing time to complete the environmental review. The cost of the option must be a nominal portion of the purchase price (2-5%) and the option agreement must include the following contingencies:

- Notwithstanding anything to the contrary in this Agreement, Buyer's obligations under this Agreement are contingent upon the completion of an environmental review in accordance with 24 CFR Part 50 and 24 CFR Part 58; and
 - Notwithstanding anything to the contrary in this Agreement, Buyer's obligations under this Agreement are contingent upon obtaining CDBG funds through the Michigan Strategic Fund. The option agreement is subject to a determination by the recipient on the desirability of the property for the project as a result of the completion of the environmental review in accordance with 24 CFR Part 50 and 24 CFR Part 58.
- b. **Relocation.** Notification must be sent to all affected tenants, whether they are being displaced or not. Tenants involuntarily displaced on a temporary or permanent basis as a direct result of the acquisition, demolition, or rehabilitation of property associated with a CDBG funded project are eligible for relocation benefits. UGLGs must have a local Anti-Displacement and Relocation Plan in place, refer to *GAM Chapter 7*. At the time the Offer Letter/Letter of Interest is executed, a General Information Notice must be sent to tenants in the effected project area. Please notify the MEDC immediately if your project involves tenants.
 - c. **One-for-one housing replacement requirement.** CDBG funds may not be used to reduce a jurisdiction's stock of affordable housing. The CDBG regulations [24 CFR 570.606(c)(1)(i)] state that: "All occupied and

vacant, occupiable low-and moderate-income dwelling units that are demolished or converted to a use other than as low- and moderate-income dwelling units in connection with an activity assisted under this part must be replaced with low- and moderate-income dwellings units." Replacement of low-and moderate-income dwelling units is not a CDBG eligible activity. Since this expense must be paid with non-CDBG funds, the UGLG should carefully consider demolishing residential dwelling units. Please notify the MEDC immediately if your project involves the demolition of residential dwelling units.

10. **REPORTING REQUIREMENTS (HUD REQUIRED EMPLOYEE REPORTING, BUSINESS FINANCIAL REPORTING, AND OTHER RECORD KEEPING REQUIREMENTS).** The benefited entities and the UGLG have various, periodic, employment and financial reporting and record keeping requirements pursuant to CDBG regulations. Semi-annual employment reporting may be required, and all information on CDBG assisted activities must be retained until the MEDC notifies the UGLG.

APPLICATION PROCESS

Please note: The following steps are offered as general guidelines only to provide some guidance to communities on typical steps, timelines and responsibilities.

In order to not jeopardize the project, it is critical that no work starts and that no contracts are signed until the applicant is given authorization by the MEDC.

GRANT PROCESS. Application for a grant is a multiple step process that may take between 3-12 months, depending on complexity of project. Applications are generally received on an ongoing basis, but may include competitive grant rounds for certain activities. In either case, the process remains the same. Once a project is identified and reviewed by MEDC leadership the UGLG works with MEDC staff to perform the following steps:

1. Project Identification and Intake
2. Application
3. Offer Letter/Letter of Interest
4. Procurement of a Certified Grant Administrator (CGA), if applicable
5. CDBG Compliance (Environmental Review, Lead and Asbestos Inspection, Etc.)
6. Underwriting and Financial Review
7. Complete Project Engineering
8. Construction Bids, if applicable
9. Term Sheet, if applicable
10. Recommendation by the MEDC to MSF on Project Funding
11. Grant Agreement
12. Grant Administration and Funding
13. Grant Closeout

The Application is a form available on the CDBG webpage located at miplace.org that provides basic information on the proposed project, project activities, and a summary of the project budget including grant funds being requested and other funds supporting the proposed project. Grants will be awarded as funding availability allows.

Applications for competitive allocations (rounds) will be preceded with announcements to potential UGLGs, which will identify specific selection criteria that are outlined within this document. The competition will be publicly announced. Approved projects will include only those activities identified within this Guide and will be awarded as funding availability allows, as determined in the sole discretion of the MEDC and MSF.

The MEDC reserves the right to prescribe revisions in project proposals if activities prove to be CDBG ineligible, do not address program projects, or are not necessary project components; if proposed project costs are determined to be unacceptable, e.g., costs exceed CDBG requirements; or if there is not enough funding available to fully fund the request.

If funding is available and it has been determined that the proposed project has adequately met the screening guidelines and selection criteria, the UGLG will be authorized to proceed in the application process and execute a grant or loan agreement. A conditional grant award or commitment may be issued in the event there is a delay in receiving the state's allocation from HUD.

UNDERWRITING AND SELECTION CRITERIA

The following Underwriting and Selection Criteria will be used to consider a project for funding. A system based on screening guidelines and selection criteria is used to evaluate and invite applications and approve funding. The screening guidelines are considered to be thresholds that must be met or exceeded for a particular project to receive funding. If these thresholds are met by a proposed project, a positive funding decision may be made depending on the availability of funds, capacity of UGLG, quality of jobs, project financial sustainability and compliance with all other program requirements. The selection criteria are used to weigh the viable aspects of projects when a competitive award is to be determined.

Administration and compliance of current and previous grant awards will be considered, during funding evaluation, to establish capacity of the UGLG and CGA.

1. **CDBG Cost Per Job.** A job is defined as a full-time and full time equivalent (FTE) permanent position. The total “CDBG cost per job” is calculated by dividing:

Total dollar amount of CDBG funds to be spent for the activity (excluding administration of grant)

Total number of jobs to be created or retained as a result of each facility/improvements by all of the businesses for which the project is principally being undertaken.

2. **Underwriting (Financial Viability).** The CDBG regulations contain Guidelines and Objectives for Evaluating Project Costs and Financial Requirements. The MEDC shall consider the guidelines provided as an appendix to the CDBG regulations at 24 CFR Part 570 for basic financial underwriting of projects being considered for all entities that will benefit from funding. The level to which the guidelines will be implemented is project- and circumstance-specific. There are 7 criteria:

- a. **Project Costs are Reasonable.** A breakdown of ALL costs (CDBG, local, private funds and any other source of funds) associated with the project will be evaluated to determine the reasonableness of each cost. The following will be required:

- 1) Pre Offer Letter/Letter of Interest

Engineering Cost - Estimates are not required but the cost must not exceed the industry average of 20% of construction cost.

Construction Cost must be verified by

- Project quotes from independent, third parties
- Multiple estimates for a project, typically three
- Comparing costs of similar projects
- Estimates should be no more than 3 months old prior to MSF approval

- 2) Post Letter of Interest/Offer Letter (CDBG Program Specialist must be consulted)

Engineering Cost - Request for Proposals may or may not be necessary; cost must not exceed the industry average of 20% of construction cost

Certified Grant Administrator Cost (CGA) - follow MEDC’s CGA procurement process;

Construction Cost - for building rehabilitation projects where total project costs (CDBG and Non-CDBG funding sources) are greater than \$250,000 and other projects as determined by MEDC, the following will be required:

- 1) After written authorization, complete project engineering (Plans & Specs)
 - 2) After completion of Plans & Specs, determine the wage decision (s) to be included in the specifications
 - 3) Using the Plans & Specs, along with the correct wage decision(s), follow one of two options:
 - (a) Obtain 3 cost estimates from contractors. Contractor of choice may be selected for the project as long as the cost is reasonable; OR
 - (b) Use Sealed Bid process from plans and specs. Unless there is a sound business reason, the low bidder must be selected.
- b. **Sources Are Committed.** Prior to executing a Letter of Interest entities should verify that sufficient sources of funds have been allocated to finance the project (including debt and equity). Prior to Board Approval, or obtaining an executed Grant Agreement, CDBG Staff requires a formal commitment letter, if a loan is required for the project. The commitment letter indicates the borrower has passed the lenders underwriting guidelines and that the loan has been approved.
- c. **CDBG Funds Are Not Substituted for Non-Federal Funds.** The recipient should clearly establish that there is a need for the investment of public resources. This is typically done by identifying that total funding for the project has a financing gap or a rate of return gap. The level of analysis will vary with the nature and complexity of the project.
- d. **Financial Feasibility.** The financial viability can be evaluated based on assumptions about the project's market share, sales levels, growth potential, revenue projections, project expenses, and debt service or other private committed financing sources, equity contribution in place and any other non-MSF financial source verified to determine if the project will at least break even.
- e. **Owner's Equity Return is Not Unreasonably High.** CDBG should not provide more than a reasonable return on investment to an owner, given industry rates of return, local conditions, and the risk of the project.

The following will be the required structure for CDBG grants of \$500,000 or more that involve an income generating property and/or a project activating or reactivating space:

- 1) Eligible matching Soft Costs* must be authorized by the MEDC in writing, have invoices and be incurred during the term of work of the CDBG grant.
 - 2) Developer fees and related party fees will not be eligible for CDBG funding.
 - 3) Investor Return will not be above 10%
 - 4) Minimum Debt Service Coverage Ratio of 1.0
 - 5) CDBG funding amount cannot exceed 50% of Eligible Investment related to project activities.
- f. **CDBG Funds Disbursed Pro Rata.** As a general rule, CDBG funds should be disbursed proportional to the percentage of the project they fund. CDBG money should not be the first money into a project, but rather should flow into a project in proportion to other project funding sources. For example, if CDBG funds are 20% of the project, CDBG funds should not exceed 20% of the aggregate proceeds disbursed. Exceptions may be made if funds are allocated for acquisition that must occur first or that funds must be disbursed pro rata for the required cash match of an infrastructure project, but not for the required private investment rate.

3. **Other Due Diligence Requirements.** In addition to the financial review, there are other items that will be

considered during the due diligence process.

- a. Background Checks. The MEDC has established requirements to ensure that funds awarded are not provided to any person that has been convicted of a criminal offense or held liable in civil proceedings that negatively reflects on the business integrity of the person based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or violation of state or federal antitrust statutes, or as otherwise required by law. Any businesses or individuals benefitting from CDBG funds will be subject to background check.
- b. Verification of Applicant/Developer/Business Owner. Documentation will be required to show ownership of property to be improved and the appropriate person(s)/member(s) to sign documents.
- c. Excluded Parties List and HUD's Limited Denials of Participation List. Before a project is recommended to the MEDC, it will be verified that any business benefitting from the project is not on these federal lists. Any contractors or consultants associated with the project, after the signing of the grant agreement, will also be verified as they are selected.
- d. Development Agreements. The MEDC will require Development Agreements between the UGLG and business, entities and/or developer prior to MSF approval for projects that receive \$500,000 or more in CDBG funding. UGLGs should consider obtaining security (in the form of liens, guarantees, mortgages, etc.) for the performance of obligations and must maintain appropriate levels of security, if obtained. UGLGs must ensure that entities, businesses/developers are aware that the development agreement obliges both the UGLG and the entities, business/developer to grant terms and conditions. The MEDC is not a party to the development agreement between the UGLG and entities, business/developer. The MEDC does not provide example Development Agreements, however can provide a draft CDBG Grant Agreement between the MEDC and UGLG. It is strongly recommended that Development Agreements between the UGLG and entities/contractor/business/developer contain the requirements identified in the CDBG Grant Agreement.

MAXIMUM PROJECT PERIOD. Projects must be completed within 24 months, which is the CDBG grant's term of work. Funds not disbursed within the specified time limit may be recaptured by the MEDC for reallocation to eligible CDBG projects. All grant agreements will incorporate timelines to assure the project is on track to have successful completion within the grant term. The MEDC may make exceptions to grant/loan amount limits and project periods based on the project's impact on the community and the economy, the number of jobs created, the needs of the community, the level of benefits to LMI people and other considerations permitted under federal law. Exceptions will be considered as part of the funding decision and will be considered by the MEDC on a case by case basis.

APPENDIX

ACQUISITION. Acquisition grants are available for acquisition of vacant, partially vacant, or substantially underused buildings, located in traditional downtowns for rehabilitation into a commercial/mixed use building that will result in job creation. CDBG funding can only be utilized for property acquisition activities. Program requirements:

- At least one appraisal completed within the past 12 months.
- Current State Equalize Value (SEV).
- All taxes are current on property.
- Projects that will rehabilitate significant structures, with preference to historic buildings and leverage private/public funds to assist with the rehabilitation of the property at a 1:1 ratio of CDBG funds, may receive up to 75% of the property's appraised value towards acquisition of property.

ANTI-PIRATING OF JOBS. Section 588 of the Quality Housing and Work Responsibility Act of 1998 prohibits States and UGLGs from using CDBG funds for employment relocation activities or "job pirating". Job pirating refers to the use of federal funds to lure or attract a business and its jobs from one community to another community. CDBG Funds may not be used to assist for-profit businesses, including expansions, as well as infrastructure improvement projects or business incubators which are designed to facilitate business relocation IF:

- The funding will be used to assist directly in the relocation of a plant, facility or operation; and
- The relocation is likely to result in a significant loss of jobs in the labor market area from which the relocation occurs.

AREA BENEFIT. A LMI Area Benefit Criteria (LMA) Activity is one whose benefits are available to all the residents in a particular service area where at least 51% of the residents are LMI persons.

BLIGHT. To qualify under this National Objective on an area basis, an activity must meet the following: The area must be designated as a slum or blighted area by the applicant and must meet the definition of a slum, blighted, deteriorated, or deteriorating area under a State or local law. A sample UGLG Ordinance Defining Slum and Blighted Area (Form 2-B) used to define slum or blighted areas is attached to this chapter. A sample resolution for a local government to use to declare a specific area as slum/blighted is also attached to this chapter, Form 2-B. Both are required and must be re-determined every ten years for continued qualification; AND the area must exhibit at least one physical signs of blight or decay as described in *GAM Chapter 2 – National Objective*.

CDBG LOAN PROGRAM (CLP) aka RLF. The intent of the RLF is to provide CDBG eligible loans to businesses and UGLGs located within 9 geographic regions established by the MSF, or within the geographic boundaries of an existing Local RLF within the identified regional territory. The MEDC will work with the identified funds to consider projects with existing funding and new funds. However, the MEDC does not intend to further capitalize any funds that are remaining local due to the goal of streamlining funding and creating efficiencies throughout the state. Please note due to the unique nature of these projects and goal of supporting eligible projects brought forward by the funds, Community Development criteria may be waived by MEDC staff.

CONTINUING ACTIVITY. Defined as the successful funding of an eligible CLP loan activity or extension of commercial credit in the preceding 24 months (7/1 – 6/30) or, in the cases in which the RLF had insufficient funds to advance on a proper loan request, a request for assistance was made of the State CDBG program and a loan/grant was approved, with a loan/grant agreement having been signed.

If the definition of Continuing Activity is not met, the CDBG Regional RLF Manager will have removed the revolving fund distinction from the CDBG funds. The funds will be reclassified as general CDBG funds, and, per State policy, must be returned to the State as general program income.

FAÇADE IMPROVEMENT. Grants are available for communities that seek to target areas of traditional downtowns for facade improvements which will have a significant impact on the downtown/community. The Façade Improvement Program is structured to provide commercial/mixed-use building façade improvements to sustain and minimize deterioration of traditional downtowns. This program is based on the premise that the exterior improvements will stimulate additional private investment in the buildings, and the surrounding area, attract and increase additional customers, thereby resulting in additional downtown economic opportunities.

FTE. Full Time Equivalent is a combination of employees that individually have less than 2080 hours of paid employment on an annual basis or work less than 40 hours per week, and are converted to FTE jobs by dividing the total annual hours worked by 2080 or dividing the total weekly hours by 40.

HOUSING AND COMMUNITY DEVELOPMENT ACT (HCDA) of 1974. When Congress passed the HCD Act of 1974, it broke down the barriers of prevailing practice - where under separate categorical programs, the Federal Government had made the decisions about every community development project undertaken by cities. The HCD Act departed from this model by creating the CDBG program. CDBG merged 7 categorical programs into a block of flexible community development funds distributed each year by a formula that considers population and measures of distress including poverty, age of housing, housing overcrowding, and growth lag. Grantees now determine what activities they will fund as long as certain requirements are met, including that each activity is eligible and will meet one of the three broad national objectives of the program.

HOUSING QUALITY STANDARDS (HQS). HQS define "standard housing" and establish the minimum criteria for the health and safety of program participants. Current HQS regulations consist of 13 key aspects of housing quality, performance requirements, and acceptability criteria to meet each performance requirement. HQS includes requirements for all housing types, including single and multi-family dwelling units, as well as specific requirements for special housing types such as manufactured homes, congregate housing, single room occupancy, shared housing, and group residences.

INCOME CERTIFICATION. This form is used for Job Creation projects and is completed for all new hires at the time of hire. HUD-required information includes race and ethnicity, annual household family income, employment status prior to this job, date of hire, full-time, number of part-time hours, job type, and acceptance of employer-sponsored health care benefits.

INCOME SURVEY. An Income Survey may be used in the event that data from the US Census Bureau does not indicate a community LMI of 51%, but the local community has reason to believe that the service area is actually at or above 51% LMI persons. With approval from the MEDC, a survey may be undertaken if the UGLG has reason to believe, and can demonstrate, that an event in the community, such as factory openings or closing, layoffs by a major employer in the service area, or the occurrence of major disasters (tornados, fire, etc.) has changed the percentage of LMI residents originally given by HUD's census data. Prior to conducting an income survey, a community must submit an Income Survey Application (Form 2-A), and receive approval from the MEDC.

JOB CREATION. The job commitment should be realistic in determining the total number of jobs, the number of jobs to be filled by LMI persons, and the timeframe for hiring. The funding amount for job creation activities must not exceed \$35,000 per FTE. Failure to comply with the requirement to benefit at least 51% LMI persons could result in the State requiring repayment of all of CDBG funds spent on the project. The business must continue to collect income verifications from all applicants and employees hired until hiring is complete and the jobs are monitored and verified by the MEDC.

JOB CREATION SUMMARY REPORT. The business must report the following data as of report period end date: total number of all full-time jobs, total hours per week for all part-time jobs, and Income Certification forms for all new hires during report period.

JOBS are defined as full-time and full-time equivalent (FTE) permanent jobs. The Department of Labor allows jobs of 35 hours or more per week to be classified as full time jobs. All such jobs should be broken out from the part time

jobs and counted fully. Notwithstanding the fact that 35-hour jobs can be counted as full-time employment, any part-time jobs requiring less than 35 hours per week must be converted to FTE jobs using a factor of 40 hours for each full-time job.

JOINT APPLICATIONS. When two eligible UGLGs are facing a common problem, they may submit a joint application. In order to qualify, UGLGs must not only share a common problem, but must also be able to demonstrate that a joint effort is required to solve the problem. Joint applications are generally required when less than 51% of the beneficiaries are located within the jurisdiction of the lead UGLG. A resolution outlining the lead UGLG and responsibilities of both UGLGs is required for the MEDC to consider a Joint Application for a project.

LIMITED CLIENTELE. Pursuant to 24 CFR 570.208(a)(2)(i)(A) limited clientele activities are defined, in part, as:

- (i) An activity which benefits a limited clientele, at least 51 percent of whom are low- or moderate-income persons. (The following kinds of activities may not qualify under paragraph (a)(2) of this section: activities, the benefits of which are available to all the residents of an area; activities involving the acquisition, construction or rehabilitation of property for housing; or activities where the benefit to low- and moderate-income persons to be considered is the creation or retention of jobs, except as provided in paragraph (a)(2)(iv) of this section.) To qualify under paragraph (a)(2) of this section, the activity must meet one of the following tests:
 - (A) Benefit a clientele who are generally presumed to be principally low and moderate income persons. Activities that exclusively serve a group of persons in any one or a combination of the following categories may be presumed to benefit persons, 51 percent of whom are low- and moderate-income: abused children, battered spouses, elderly persons, adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled," homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers; or
 - (B) Require information on family size and income so that it is evident that at least 51 percent of the clientele are persons whose family income does not exceed the low and moderate income limit; or
 - (C) Have income eligibility requirements which limit the activity exclusively to low and moderate income persons; or
 - (D) Be of such nature and be in such location that it may be concluded that the activity's clientele will primarily be low and moderate income persons.

LMI. Low or Moderate Income means a household having an income equal to or less than the Section 8 low-income limits established by HUD. This distinction is very important because there can be situations where the persons residing in an assisted housing unit are not all members of the same family.

RENTAL REHABILITATION OCCUPANCY of housing shall be based on the household income of occupants using the following rules:

- If the structure contains two dwelling units, at least one must be occupied by LMI.
- For multi-unit structures that contain more than two dwelling units, at least 51% of the units must be occupied by LMI households after rehabilitation. Where two or more rental buildings being assisted are or will be located on the same or contiguous properties, and the buildings will be under common ownership and management, the grouped buildings may be considered for this purpose as a single structure.

SOFT COSTS. Actual costs associated with architectural, engineering or related professional services.

SUBSTANDARD. Substandard housing is not just housing that's unattractive or outdated. It is housing that poses a risk to the health, safety or physical well-being of occupants, neighbors, or visitors. Substandard housing increases risk of disease, crime, social isolation and poor mental health.

When a unit is substandard. A unit is substandard if it: (1) Is dilapidated; (2) Does not have operable indoor plumbing; (3) Does not have a usable flush toilet inside the unit for the exclusive use of a family; (4) Does not have a usable bathtub or shower inside the unit for the exclusive use of a family; (5) Does not have electricity, or has inadequate or unsafe electrical service; (6) Does not have a safe or adequate source of heat; (7) Should, but does not, have a kitchen; or (8) Has been declared unfit for habitation by an agency or unit of government.

URGENT NEED. Use of the Urgent Need National Objective category is extremely rare. It is designed only for activities that alleviate emergency conditions. Urgent need activities must meet the following qualifying criteria:

- The existing conditions must pose a serious and immediate threat to the health or welfare of the community,
- The existing conditions are of recent origin or recently became urgent (generally, within the past 18 months),
- The recipient is unable to finance the activity on his or her own, and
- Other sources of funding are not available.

In recognition of the extraordinary circumstances that must be present in order to justify the use of this National Objective, UGLGs are generally not allowed without MSF approval.