



CDBG RENTAL REHABILITATION

The **Rental Rehabilitation** initiative funds the rehabilitation of vacant/substandard rental units or the conversion of vacant, unoccupied space to affordable and market-rate residential units in traditional downtowns. By investing in dense mixed-use areas and the reinvigoration of city centers, the program aims to attract talent to Michigan communities through creation of mixed income housing resulting in increased economic and pedestrian activity.

The applicant for this tool must be the local unit of government, so building owners will need to work closely with the local municipal staff to initiate and move forward with a project application. Contact the [Community Assistance Team \(CATeam\)](#) to get connected with the local government staff and learn more about the program!

PRIORITY PROPERTIES

Projects in downtown buildings that contain vacant, substandard* residential rental units or vacant underutilized square footage that will be improved for quality rental units will be prioritized for funding. Please reference the [Community Development Guidance](#) document for more information on place criteria for projects seeking funding.

PROJECT ACTIVITIES AND TYPICAL EXPENSES

Project activities may include rehabilitation or construction of housing units, or activities that are necessary for housing units, and that do not have an ancillary benefit to commercial uses in the buildings. Typical expenses may include: Hard costs for the rehabilitation of nonresidential, vacant space to residential use, or for the rehabilitation of existing substandard* residential units:

- Architectural and engineering
- Fire suppression and separation
- Evaluation and abatement of lead and asbestos
- Performance and payment bonding
- Appliances (must be Energy Star® rated)

Building owners should consult with local municipal officials to confirm any requirements that will need to be considered when scoping, designing and estimating project activities and expenses.

WHAT IS SUBSTANDARD HOUSING?

Substandard housing is not just housing that's unattractive or outdated.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.

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.

Substandard housing is to be certified by a registered building inspector as part of the CDBG project application.

Activities that only benefit residential units can be completed without triggering [Davis-Bacon prevailing wage](#). Examples of allowable activities may include:

- Construction and/or rehab of a staircase that benefits the residential units
- Installation and/or repair of fire suppression required by code to allow for residential units
- Construction and/or rehab of an elevator that benefits the residential units
- Construction and/or rehab of parking related to the residential units
- Construction and/or rehab of common/entryway space that benefits the residential units



MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

CDBG RENTAL REHABILITATION

REHABILITATION AND QUALITY STANDARDS

Improvements should include quality enhancing features such as new cabinets, upgraded countertop materials, exposed ceilings and architectural elements, refinished wood floors or new flooring, upgraded light fixtures, upgraded plumbing fixtures and more. Appliances are an eligible expense and must be Energy Star® rated; "green" features and energy efficient improvements are strongly encouraged. All units must have washers and dryers.

There is no minimum or maximum unit size requirement; however, there must be fair and equitable distribution of units, so affordable and market-rate units should be comparable in size, quality and finishes throughout the building. At a minimum, [housing quality standards established in 24 CFR SEC. 982.401](#) or locally adopted building and housing code standards and ordinances must be followed, whichever is higher.

Applicants are required to complete an [asbestos](#) and [lead-based paint compliance](#) worksheet to determine the applicability of asbestos and lead-based paint requirements for the project. Please be aware that specially licensed contractors may be required to address findings related to lead and/or asbestos abatement.

INCOME AND RENTAL RATE REQUIREMENTS

Rental rehabilitation projects funded with CDBG must meet a national objective by providing affordable housing units for low-to-moderate income households. At the time of the initial lease, 51% of the units (one if there are only two units) in a structure must be rented to [low \(80%\) income households](#) at [fair market rents](#) as defined by the U.S. Department of Housing and Urban Development (HUD). Affordability requirements are based on the county where a project is located and must be maintained for a five-year compliance period. Annual reporting by the local municipality to the MEDC will be required to confirm that income and rental rate rules have been met.

FUNDING MATCH AND PROJECT SIZE

All projects must include at least 25% non-CDBG matching funds and total CDBG funding may not average over \$100,000 per residential unit included in the project. Projects must include at least two residential units.

CDBG funds can also be utilized to cover the costs associated with a certified grant administrator (CGA), as well as consultants

HOW DO I FIND INCOME AND RENT LIMITS?

MEDC uses data provided by the U.S. Department of Housing and Urban Development (HUD) to determine affordability levels by county. Affordable units must align with HUD fair market rents and households must meet low (80%) income limits.

To access **HUD fair market rents**, use this link (www.huduser.gov/portal/datasets/fmr.html) and select the red box that says "Click Here for FY2022 FMRs," then select appropriate state and county names to view rental rates.

To access **HUD income limit documentation system**, use this link (www.huduser.gov/portal/datasets/il.html) and select the red box that says "Click Here for FY 2021 IL Documentation," then select appropriate state and county names to view income limits. Remember that MEDC uses the low (80%) household income limit.

necessary to complete the NEPA-required environmental review. These administrative costs will be in addition to project expenses and do not count toward the match calculation.

Projects with eight or more housing units will require payment of prevailing wage rates (determined by the U.S. Department of Labor), as required by the [Davis-Bacon Act](#). Speak with the [Community Assistance Team \(CATeam\)](#) for additional information.

HELPFUL TIPS TO CONSIDER

The CDBG application process can take six to nine months from submission of a complete application material to MSF approval.

Performance and payment bonding is a requirement for projects with a total anticipated cost of \$250,000 or greater. Work with your CATEam specialist to determine how this may impact your project budget.

Funding for the Rental Rehabilitation program is an annual allocation available on a first-come, first-served basis according to projects that meet program requirements.

HOW TO KICK OFF THE PROCESS

Contact the [Community Assistance Team \(CATeam\)](#) to learn more about the application process and next steps to initiate an application.



MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION