STATE OF MICHIGAN

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

Application Guide

For eligible activities administered by the Michigan Strategic Fund (MSF)
with the assistance of the Michigan Economic Development Corporation (MEDC)

This Application Guide may be accessed at: www.michiganadvantage.org/CDBG. 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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GENERAL REQUIREMENTS

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").

Eligible Applicants

Small cities, townships, and villages of less than 50,000 in population, and non-urban counties generally are eligible to apply for grants under the MSF CDBG Program. There are over 1,600 eligible general-purpose, local governments, and these governments are referred to as "non-entitlement jurisdictions".

Ineligible Applicants

The following counties and their respective units of local governments are not eligible to directly apply or directly receive MSF CDBG funds, unless they can provide documentation that they have opted out of their direct HUD allocation and were accounted for in the MSF's PY 2012 formula allocation:

- Genesee County (Except for the Cities of Clio, Davison, Flushing and Lennon)
- Kent County
- Macomb County
- Oakland County (Except for the Townships of Novi and Southfield)
- Wayne County
- Washtenaw County and the following units of government within the county are not eligible for Michigan CDBG funds:
    - Ann Arbor City
    - Ann Arbor Township
    - Bridgewater Township
    - Northfield Township
    - Pittsfield Township
    - Scio Township
    - Salem Township
    - Superior Township
    - York Township
    - Ypsilanti City
    - Ypsilanti Township

The following Michigan cities are not eligible to directly apply or directly receive Michigan 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 HCDA are not eligible to directly apply for or directly receive MSF CDBG funds, but an eligible county or township may apply for MSF CDBG funds for projects located on Indian reservations if the unit of general local government has the legal authority to fund such projects on Indian reservations and Indian preference is not provided.

National Objective Requirements

Under the MSF CDBG Program, all projects must meet one of the following national objectives and the attending statutorily mandated requirements to be considered for funding:

- The activities will benefit persons of low and moderate income(LMI), as defined by Section 104(b)(3) of the Housing and Community Development Act and 24 CFR 570.483;
- The activities will aid in the prevention or elimination of slums or blight, as defined by 24 CFR 570.483; or
- 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.

LMI area benefit projects must provide benefit to the entire unit of general local government identified as LMI Communities, where over 51 percent of the residents are low and moderate income persons, by HUD or through local survey efforts as approved by MSF.

LMI position creation projects must result in position creation or retention where at least 51 percent of the positions 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 percent of the county median family income and is based on the income level of the household and not the individual filling the position. For position creation projects, the very low, low, and moderate-income requirement is applied at the time of hire.

For position retention, the eligibility requirement is applied at the time of application for CDBG funds. In unique instances of position retention, the eligibility requirement may apply to a portion of the positions that are anticipated to turnover, for which the position requirement would be applied at the time of the new person being hired. Turnover cannot account for more than 10% of the position retention requirement. To consider positions retained as a result of CDBG assistance there must be “clear and objective” evidence that positions will be lost:

- Evidence that the business has issued a notice to affected employees or made a public announcement to that effect, **or**
- Analysis of relevant financial records which clearly and convincingly show that the business is likely to have to cut back employment in the near future without the planned intervention.

For both position retention and position creation, the business must also provide a hiring plan which details the number of positions to be created, the number of positions held or to be filled by LMI persons, the type of position, average wage, any special skills or training required, the timetable for hiring, and whether or not health care will be provided for the position. The plan must indicate who will be responsible for hiring and collecting required data.

Positions are defined as full-time and full-time equivalent (FTE) permanent positions, which do not include construction positions, temporary positions, or layoff recalls. HUD defines a FTE position as one that has 2080 hours of paid employment or is paid for 40 hours a week. Seasonal positions may be considered to be permanent only if the season is long enough for the position to be considered as the employees' principal occupation. Only those positions, which are created, or retained, within the grant project period, will be considered in meeting the national objective and screening guidelines. The MSF will make a final determination of the actual number of positions created, or retained, and the actual number of positions available to, or held by very low, low, or moderate-income people at the time the project is officially closed out by the MSF and will be based on documentation provided by the local government grant recipient.

Blight elimination projects must provide certification from a Licensed Building Inspector that the project site meets the definition of blight as defined in the Brownfield Redevelopment Financing Act 381 of 1996, MCL 125.2652 (e)(i-iv) and (vii), the reasoning for that determination, and how the proposed project will eliminate the blight causing elements.

Urgent need projects are generally not supported by the MSF.

All grantees will be required to comply with all current and newly adopted reporting requirements, including all items necessary to meet Integrated Disbursement and Information System (IDIS) project needed to justify compliance with the national objective requirements.

“Anti-Pirating” of Jobs

Section 588 of the Quality Housing and Work Responsibility Act of 1998 prohibits States and local governments 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 positions 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.

The following are definitions that will assist in determining if a business location falls under these provisions:

Labor Market Area (LMA): An economically integrated geographic area within which individuals can live and find employment within a reasonable distance or can readily change employment without changing their place of residence.

Operation: A business operation includes, but is not limited to, any equipment, employment opportunity, production capacity or product line of the business.

Significant Loss of Jobs: A loss of jobs is significant if

- The number of jobs to be lost in the LMA in which the affected business is currently located is equal to or greater than one-tenth of one percent of the total number of persons in the labor force of that LMA; OR in all cases
- The loss of jobs is 500 or more.

A job is considered to be lost due to the provision of CDBG assistance if the position is relocated within three years of the provision of assistance to the business. Notwithstanding the above definition, a loss of 25 positions or fewer does not constitute a significant loss of positions.

Before directly assisting a business with CDBG funds, in the form of a grant to the UGLG, the MSF shall obtain a written certification from the assisted business. The certification shall include:

- A statement from the assisted business as to whether the assisted activity will result in the relocation of any industrial or commercial plant, facility, or operation from one LMA to another, and, if so, the number of jobs that will be relocated from each LMA.
- If the assistance will not result in a relocation covered by this section, a certification from the assisted business that neither it, nor any of its subsidiaries, has plans to relocate jobs at the time the grant agreement is signed with the UGLG that would result in a significant job loss as defined in this rule; and
- The grant agreement with the UGLG shall provide for reimbursement of any assistance provided to, or expanded on behalf of, the business in the event that assistance results in a relocation prohibited under this section.

Eligible Activities

Activities cited in Section 105(a) of Title I of the HCDA are eligible for assistance. The MSF has the following policies regarding these specific eligible activities:

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%).

CDBG Administrative Costs: CDBG funds may not be used to reimburse costs of preparing grant applications. CDBG funds may be available to assist grantees with the cost associated with the management of their CDBG Grant Agreement. The community must be able to document that it has sufficient management abilities and skills to meet the program requirements.

CDBG funded administrative costs should not exceed two percent of the CDBG project activity costs, excluding administrative costs and engineering costs, with a $10,000 maximum. In the case of a complicated project or small project scope or other extenuating circumstances, the MSF will consider allowing up to five percent of the CDBG-funded project activity costs (excluding administrative and engineering costs). A written request must be submitted to with the application documents justifying the need for the additional administrative costs. In the case of Revolving Loan Funds (RLF), administrative costs should not exceed 18% of the program income they receive that

Program Year. For RLFs, all funds generated from CDBG funded activities are considered program income.

All reimbursement requests for CDBG funded administrative costs, that involve a third party, must be procured and 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 costs. CDBG funds may not be used to administer other federal or state grant programs which may be conducted in conjunction with a CDBG project.

Federal regulations do not allow CDBG funds to be used to supplant funds otherwise available to UGLGs. Typically, local governments that administer their own grants, provide the administration as in-kind leveraging (above the required local cash match). However, local governments that wish to charge costs or an employee's time for administration of the CDBG project to the CDBG budget must first submit a certification that the use of federal grant funds for a portion of the employee's salary will not supplant available local funds. Depending on the circumstance, the MSF may require a contract between the employee and the UGLG for the additional time dedicated to the grant administration, in addition to their regular hours.

Any costs and time funded by CDBG or CDBG funded Revolving Loan Fund (RLF) Program Income 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 or during the monitoring visit.

Please refer to Program Specific Requirements for eligible detail for other activities. Please note that the MSF will not administer activities and projects related to eligible housing and neighborhood projects, as those projects are administered through the Michigan State Housing Development Authority.

Funding Cycle, Proposal Review, and Project Limitations

Proposals are considered on a continuous basis and applications for economic development, downtown development, planning, and blight elimination projects will be accepted following approval of the application. The application is a form submitted by a UGLG providing 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 infrastructure allocations will be preceded with announcements to potential applicants, which will identify specific selection criteria that are outlined in the Action Plan. The competition will be publicly announced and potential grantees will be notified. Approved projects will include only those activities identified in the Action Plan and will be awarded as funding availability allows, as determined in the sole discretion of the MSF.

The MSF reserves the right to prescribe revisions in project proposals if activities prove to be CDBG ineligible, do not address program initiatives, 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. Additionally, projects should not be submitted for consideration if there is local controversy regarding the activities or proposed outcomes.

If it is determined that the proposed project has adequately met the screening guidelines, selection criteria, and there is available funding, the local government will be authorized to 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.

Screening Guidelines and Selection Criteria

In considering project 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, quality of positions, project 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. *NOTE: Administration and compliance of current and previous grant awards will be considered during funding evaluation to establish capacity of the grantee.*

Communities identified as LMI Communities by HUD, or through local survey efforts as approved by the MSF, may choose to request consideration for the elimination of a singular screening guideline requirement in their efforts to qualify for a project. The elimination of the cost per position criteria is not eligible for this special consideration.

Cost Per Position: The total "CDBG cost per position" is then calculated by dividing:

- The total dollar amount of CDBG funds to be spent for the activity (including administrative costs), by
- The total number of positions 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.

Economic Development Underwriting (Financial Viability): The CDBG regulations contain Guidelines and Objectives for Evaluating Project Costs and Financial Requirements. The MSF 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 businesses that will receive funding under economic development. The level to which the guidelines will be implemented is project and circumstance specific. Note that these guidelines only apply to projects that assist a private business entity. There are six criteria:

1. <u>Project Costs are Reasonable:</u> A breakdown of all costs associated with the project (including working capital requirements) will be evaluated to determine the reasonableness of each cost. Applicants can assist in this review in the following ways:

    - Receive project quotes from independent, third parties
    - Receive multiple estimates for a project, typically three

- Look at costs of comparable projects
- Use guaranteed contracts, performance bonds or letters of credit

Note: Businesses that are selecting their own contractors will be required to show costs are reasonable either by documenting project quotes from independent, third parties or providing multiple estimates for the project activities.

2. Sources Are Committed: The business should verify that sufficient sources of funds have been identified to finance the project (including debt and equity). To fulfill this requirement, the MSF requires a written verification affirming the various funding parties' intentions to make funds available, and, depending on the nature of the funding party, a showing of their capacity to actually provide such funds.

3. CDBG Funds Are Not Substituted for Non-Federal Funds: In general, 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.

4. Financial Feasibility: The public benefit expected from the investment of CDBG funds is the creation and maintenance of LMI positions. That benefit will not materialize if the project is not financially feasible. 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 to determine if the project will at least break even.

5. 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.

6. 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 percent of the project, CDBG funds should not exceed 20 percent of the aggregate proceeds disbursed. Exceptions may be made if funds are allocated for acquisition that must occur first or that funds must be dispersed pro rata for the required cash match of an infrastructure project, but not for the required private investment rate.

Background Checks: The MSF 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 the same policy and procedure that the MSF has designated for the 21st Century Positions Trust Fund programs.

Excluded Parties List and HUD's Limited Denials of Participation List: Before a project is recommended to the MSF, it will be verified that any business benefiting 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.

Development Agreements: The MSF will require Development Agreements between the UGLG and business prior to approval, if the project involves high risk that may result in repayment or project failure. Generally, position creation projects that exceed $500,000 for an individual business will be considered high risk. UGLGs must consider obtaining security (in the form of liens, guarantees, mortgages, etc.) for the performance of obligations in any high risk project, and must maintain appropriate levels of security, if obtained. UGLGs must ensure that businesses are aware that the development agreement obliges both the UGLG and the business to grant terms and conditions, including but not limited to position creation or retention requirements. The MSF is not a party to the development agreement between the UGLG and business.

Maximum Project Period

Projects must usually be completed within twenty-four (24) months from the date the funding is awarded. Funds not disbursed within the specified time limit may be recaptured by the appropriate State administering agency 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 MSF may make exceptions to grant/loan amount limits and project periods based on the significance of the project's impact on the community and the economy, the number of positions created, the needs of the community, 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 MSF on a case by case and circumstance by circumstance basis.

Applicants, benefited businesses, and contractors must 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 applicants should be aware that the average due diligence time prior to MSF consideration ranges from three to six months. This list simply highlights three areas that are commonly applicable:

Environmental Review: Federal statutes (the National Environmental Policy Act and HCDA) and HUD implementing regulations (24 C.F.R. Part 58) require that CDBG-assisted projects must have an appropriate environmental review process completed prior to costs for the project 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. The entire project often referred to in these contexts as the entire "footprint" of the project—not just the portion of the project involving CDBG-funded activities—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. The process can take as little as a few days to as much as several months. The time requirement for this process is often underestimated by businesses 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 the Grant Administration Guide.

Davis-Bacon Act (and related acts): These federal statutes and their implementing regulations require that federally-assisted construction work in excess of $2,000 must have prevailing wage rates (determined by the U.S. Department of Labor) paid to all employees working on such construction work. If CDBG funds assist even just a portion of the construction work, then Davis-Bacon becomes applicable to the entire construction work. Note however, that CDBG funds can finance activities other than construction work, without triggering Davis-Bacon requirements, even though CDBG funds are part of an overall project which may involve construction work (i.e. purchase of Machinery and Equipment).

Reporting Requirements (HUD Required Employee Reporting, Business Financial Reporting, and Other Record Keeping Requirements): The benefited business and the UGLG have various, periodic, employment and financial reporting and record keeping requirements pursuant to CDBG regulations. Quarterly employment reporting may be required, and all information on CDBG assisted activities must be retained until the MSF notifies the UGLG.

Overview of Requirements Related to Incurring Costs: Incurring 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 & 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:

1. Preliminary Costs – These are costs incurred prior to the grant agreement such as preparing the application documents and providing preliminary cost estimates. Please keep the following in mind:
    - This is not considered incurring project costs as long as any and all contracts are for these preliminary activities only. If a contract for these costs includes other costs associated with specific grant activities (i.e. design and construction engineering, architectural work, administration, etc.), then this would be considered incurring costs (see #2 below).
    - These costs must be paid for by the community and/or private match. Therefore, the CDBG procurement requirements do not apply.

- These costs cannot be included in the project activities/budget and they cannot be counted toward the local and/or private match.

2. Exempt (soft) project costs – These are costs for administration contracted by a third party, design, construction/oversight engineering, architectural work, and other soft costs necessary to carry out the project activities. The timing and procurement requirements for these activities depend on who is paying for these costs. Please keep the following in mind:
    - If these costs are to be paid for with all non-CDBG funding:
        - This is considered incurring exempt costs so the community must submit a written request to the CDBG staff requesting to incur these costs that includes the dollar amounts of these costs.
        - This can be done prior to the grant agreement being executed and prior to the completion of the environmental review.
        - One hundred percent (100%) of these costs must be paid for with non-CDBG funds. Therefore, the CDBG procurement requirements do not apply.
        - The MSF must provide written authorization to incur these costs.
        - The contract must be signed after written authorization has been provided by the MSF.
        - These costs must be included in the project activities/budget and can be counted toward the local match.
    - If these costs are to be paid for in whole or in part with the CDBG grant funds:
        - This would also be considered incurring exempt costs so the community must submit a written request to the CDBG staff requesting to incur these costs that includes the dollar amounts of these costs.
        - Since CDBG is paying for a portion of this expense, this cannot be done until the grant agreement is executed.
        - The MSF must provide written authorization to incur the costs.
        - 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.
        - The contract must be signed after the grant agreement executed and written authorization has been provided by the MSF.
        - These costs must be included in the project activities/budget.

3. Non-Exempt (hard) project costs - These costs include but are not limited to signing purchase/easement/lease agreements, ordering materials/machinery/equipment, and signing construction contracts. The timing and procurement requirements for these activities depend on who is paying for these costs. Please keep the following in mind:
    - If these costs are to be paid in whole with private funds:
        - This is considered incurring non-exempt costs so the community must submit a written request to the CDBG staff requesting to incur specific private costs that includes the dollar amounts for those costs.
        - This can be done prior to the grant agreement, but the environmental review and any other applicable CDBG requirements must be complete.
        - One hundred percent (100%) of these costs must be paid for with private funds. Therefore, the CDBG procurement requirements do not apply.
        - The MSF must provide written authorization to incur these costs.

    - The purchase/easement/lease agreement, purchase order, construction contract, etc., must be signed after the environmental review has been completed and written authorization has been provided by the MSF.
- If these costs are to be paid for in whole or in part with CDBG funds:
    - This would also be considered incurring non-exempt costs so the environmental review and all other applicable CDBG requirements must be completed.
    - The grant agreement must be executed.
    - The MSF must provide written authorization to incur these costs.
    - The community must follow the appropriate procurement requirements.
    - The purchase/easement/lease agreement, material/machinery/equipment purchase order, construction contract, etc. must be signed after the environmental review has been completed, the grant agreement is in place, and written authorization has been provided by the MSF.

ECONOMIC DEVELOPMENT PROGRAM SPECIFIC REQUIREMENTS

All economic development projects must be financially viable and able to document that the business has sufficient management abilities and skills to successfully operate. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.

1. Economic Development: Direct Assistance to Business

Eligible under this activity would be assistance to private, for-profit entities as identified in Section 105(a)(17) of Title I of the HCDA. There are five subcategories of projects eligible for direct assistance to private and for-profit businesses: machinery and equipment, job training, rail enhancement, small business expansion and utility/ pipeline projects.

Screening Guidelines: Direct Assistance to Business projects will be evaluated on the following criteria:

<u>National Objective</u>: Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of CDBG investment.

<u>Minimum Leverage Ratio:</u> Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.

<u>Position Creation:</u> Priority will be given to projects creating ten or more permanent full-time positions that pay an average hourly rate of at least $9.00 or 75% of the average hourly wage rate of the applicable county.

<u>Minimum Local Participation:</u> Proposed projects are expected to demonstrate local government support.

<u>Economic Impact:</u> Proposed projects are evaluated on their economic impact including the diversification of the economic base of the local and State economies. This includes the significance of added value the project carries, including financial value added through sales, use of existing local and state suppliers and secondary positions created.

<u>Project Type:</u> The following are Project Type specific criteria:

Machinery and Equipment

- These projects are generally supported by the CDBG Revolving Loan Program or other incentive programs available at the MEDC or MSF.

Job Training

- Grant proceeds may be used for On the Job Training (OJT), but not more than 50% of the company's OJT expenses may be reimbursed per person. OJT expenses for individual trainees must be completed within six months of their hiring date. Employees trained with CDBG funds must be retained for 90 days after conclusion of training.
- Vendor training expenses must have a minimum of 20% match from the employer. Up to 100% of grant funds may be used for vendor training costs. There is no reimbursement for company trainers or out of state training expenses.
- Grant proceeds can only be used for Michigan residents.

Rail Enhancement

- CDBG portion may not exceed more than 50% of total cost of necessary rail improvement.
- The project must provide a minimum of 25 positions.
- MDOT must support rail enhancement projects (minimum 10% MDOT rail funds if available or letter of support if MDOT rail funds are not available).
- All positions must meet the average wage thresholds in the applicable Wage/HR category below to obtain the corresponding CDBG Assistance per Position.

Wage/HR	**CDBG Assistance Per Position**
$9.00-$11.99	Up to $4,000/position
$12.00-$14.99	Up to $6,000/position
$15.00-$16.99	Up to $8,000/position
$17.00 & up	Up to $10,000/position

Small Business Expansion

- These projects do not have any additional criteria for consideration.

Utility and Pipeline Projects

- Funds for this type of project may be used where:
  - existing service placement impedes development and requires relocation; and
  - a significant case can be made for the extension or enhancement of service delivery, including inability of the service provider to fund the necessary cost using a five year recuperation schedule.
- The project must provide a minimum of 25 positions.
- All positions must meet the average wage thresholds in the applicable Wage/HR category below to obtain the corresponding CDBG Assistance per Position.

Wage/HR	CDBG Assistance Per Position
$9.00-$11.99	Up to $4,000/position
$12.00-$14.99	Up to $6,000/position
$15.00-$16.99	Up to $8,000/position
$17.00 & up	Up to $10,000/position

Maximum Grant Amount: None.

2. Economic Development – Infrastructure: Business Development

Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business firm(s) which is engaged in an economic base activity (e.g. - manufacturing, point-of-destination tourism, headquarter operations, major multi-state distribution facility). A tourism point of destination is an entity with multiple amenities (more than three) that provide hospitality services such as accommodations, foods and beverages, tours and souvenirs, in or near a community or region known for its attraction of tourists. A tourism point of destination can also be an attraction (built attraction), or other area (natural attraction) that is dependent to a significant extent on the revenues accruing from tourism. A tourism point of destination must have the emphasis on promoting a particular region for the purpose of increasing commerce through exporting goods and services to non-local residents. Eligible under this activity would be public improvements, as identified in Section 105(a)(2) of Title I of the HCDA.

Screening Guidelines: Business Development Infrastructure projects will be evaluated on the following criteria:

Minimum Local Participation: Proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. A minimum of ten (10%) percent local government cash match is required.

Economic Impact: Proposed projects are evaluated on their economic impact, including the diversification of the economic base of the local and State economies. This includes the significance of added value the project carries, including financial value added through sales, use of existing local and state suppliers and secondary positions created.

Project Type: Examples of eligible public infrastructure projects include the following items: public water or sanitary sewer lines and related facilities, streets, roads, bridges, sidewalks, parking facilities, pedestrian malls, alleys, drainage systems, waterways, publicly-owned utilities and systems, and projects designed to reduce, eliminate or prevent the spread of identified soil or groundwater contamination.

- Category A:
  - National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per position created and/or retained is $10,000 or less.
  - Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.
  - Position Creation: Priority will be given to projects creating ten or more permanent, full-time positions that pay an average hourly rate of at least $9.00 or 75% of the average hourly wage rate of the applicable county.
- Category B:
  - National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per position created and/or retained is $20,000 or less.
  - Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 2:1 or greater.
  - Position Creation: Priority will be given to projects creating 25, or more, permanent, full-time positions that pay an average hourly rate of at least $11.00 or 85% of the average hourly wage rate of the applicable county.
- Category C:
  - National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per position created and/or retained is $35,000 or less.
  - Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 3:1 or greater.
  - Position Creation: Priority will be given to projects creating 50, or more, permanent, full-time positions that pay an average hourly rate of at least $14.00 or 95% of the average hourly wage rate of the applicable county.

Maximum Grant Amount: None.

3. Economic Development: Revolving Loan Funds and Regional Revolving Loan Funds

During program year 2012, the MSF will seek to finalize the regionalization of all existing local CDBG funded revolving loan funds (RLFs). The intent of the RLFs is to provide CDBG eligible loans to businesses within the identified regional territory. Repayments of the loans back to the RLF with interest generates "program income" that is used to cover fund administrative expenses and provides additional funding for additional CDBG eligible loans to businesses. As of December 31, 2011, over 75% of the existing funds had been inactive for over 12 months.

The MSF intends to support the formation or identification of no more than nine regional entities, identified as eligible within HCDA 105(a)15. These entities will operate in non-entitlement areas within the state and will coordinate with county governments and UGLG based funds within the region to centralize cash and program income as well as potentially play a role in assisting with the management of loan portfolios in accordance with MSF and HUD requirements. Regionalization will create opportunities for greater access to available capital for the issuance of CDBG eligible loans, gain efficiency through increased underwriting expertise and streamline the MSF approval process. The MSF may also make additional CDBG funds available to UGLG, or RRLF, for the purpose of providing capital for the issuance of CDBG eligible loans to small businesses whose projects meet a national objective.

Eligible under the RLF activity would be assistance to private, for-profit entities as identified in Section 105(a)(17) of Title I of the HCDA. RLFs will provide loans, loan guarantees, collateral enhancement, working capital, and other allowable mechanisms through either existing RLFs based within a specific UGLG or through newly established Regional Revolving Loan Funds ("RRLF") acting through a Joint Agreement between county governments, MSF and designated Regional Revolving Loan Fund Managers ("RRLFM").

Screening Guidelines: Proposals and applications are considered on a continuous basis when funded with existing Program Income maintained at, or transferred to, an UGLG or RRLF. Only a RRLF or UGLG is eligible to apply for new CDBG funds. Existing UGLG based funds which require additional grant dollars from the MSF for an eligible project in order to meet the Continuing Activity definition may be eligible to receive grant dollars provided that 1) they exhaust their cash balance first and 2) the proportion of program income equal to the proportion of total project funding associated with new grant dollars be returned to the state and not retained by the UGLG based RLF. However, preference will be given to RRLFs for new CDBG funds when evaluating projects.

<u>National Objectives</u>: Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of RLF investment. When determined to be reasonable by the MSF, applicants may also utilize Area Wide Benefit standards.

Proposed projects may also result in the Elimination of Slum and Blight if the RLF or RRLF, or its contractor, have allowed for the Elimination of Slum and Blight as an approved National Objective within their Uniform Reuse and Administration Plan or Reuse Plan.

Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.

Project Type: Eligible project types are located within the Uniform Reuse and Administrative Guide of a RRLF or within an UGLG based RLF's Reuse Plan. All plans must be approved by the MSF. Typically, projects are loans or other commercial credit extensions to for-profit businesses located within the funds service area. The RLF must carry out specific activities outlined below which, in turn, generate payments to the RLF.

Only a UGLG or RRLF that meets the MSF's definition of a Continuing Activity is eligible to apply for CDBG Grants. The MSF defines a "Continuing Activity" as the successful funding of a CDBG eligible loan or extension of commercial credit in the preceding twelve months or, in cases in which the RLF had insufficient funds to advance on a proper loan request, a request for assistance was made of the MSF and a loan/grant was approved, with a loan/grant agreement having been signed. Additionally, the MSF includes within its definition of Continuing Activity that the fund must perform such activity as described above such that normal monitoring of the Fund resulted in no major findings or issues which remain unresolved.

RLFs shall have 12 months to become compliant with the Continuing Activity definition beginning with the approval of this document by the MSF.

The proceeds of loans made under this program are for eligible activities under Section 105(a) of Title 1 of the HCDA and are limited to the following:

- Project based land acquisition
- Construction of a building and other improvements
- Renovation of an existing building to accommodate a business
- Purchase of Capital Equipment
- Purchase an existing building for a known business
- Finance accounts receivables and inventory
- Improve a site for a known business concern
- Assistance to micro-enterprises
- Some specific workforce training projects (seek additional info from State Program)
- Business Acquisition (highly situational-seek additional info from State Program)

The Uniform Reuse and Administration Plan (URAP) describe ineligible uses of loan proceeds under this program. RLFs that have not approved the URAP are not subject to its prohibitions but are otherwise subject to the current MSF approved Reuse Plan in place at the time the project is approved.

Financial Viability: In addition to the Financial Viability guidance provided in this document, proposed projects are expected to demonstrate a reasonable expectation of repayment, with the expectation having been supported by meaningful and prudent due diligence on the part of the UGLG based RLF or RRLF, or its contractor.

In addition to project viability, on a no less than annual basis the MSF will review the books and records of all RLFs and RRLF to ensure that each RLF and RRLF is compliant with all state and federal laws and policies as well as operating under sound risk management and financial accounting practices. This will include a review of the UGLG's annual audit documents for either the RLF or RRLF. The MSF reserves the right to decline a project if it is determined that an applicant has not provided accounting and reporting of RLF activities to the standards requested by the MSF, and/or has failed to act, in the judgment of the MSF, prudently with respect to applicable loan decision making or due diligence practices.

Non Program Income loans made by RLFM's: Loans utilizing certain repaid CDBG funds pursuant to and compliant with HCDA Section 105(a)(15) are no longer Program Income but *are* subject to MSF oversight via the URAP as amended from time to time. The MSF will monitor and review these transactions in accordance with the URAP.

Maximum Grant Amount: None.

4. Economic Development: Unique Business Development Grants

Innovative and creative funding requests may be considered by the MSF based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular economic development, downtown development, planning, blight elimination, and infrastructure programs. This may include, but is not limited to, brownfield site redevelopment, targeted industry development, position training, general public infrastructure, building and building rehabilitation activities, CDBG Section 108 loan guarantees, 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.

Selection guidelines, project periods, and grant amounts will be determined and tailored for each specific project proposal, but will always take into account the national objective, leverage ratio, position creation, local participation and financial viability. All funding considerations shall be subject to the approval and oversight authority of the MSF and must be made in compliance with federal CDBG regulations and requirements and other applicable laws.

Maximum Grant Amount: None.

DOWNTOWN DEVELOPMENT PROGRAM SPECIFIC REQUIREMENTS

For Downtown Development Projects, the term "**traditional downtown"** is defined as a grouping of 20 or more commercial parcels of property that include multi-story buildings of historical or architectural significance. The area must have been zoned, planned or used for commercial development for 50+ years. The area must consist of, primarily, zero-lot-line development; have pedestrian friendly infrastructure, and an appropriate mix of business and services.

All Downtown Development Projects benefiting a business must be financially viable and the UGLG must be able to document that the business has sufficient management abilities and skills to successfully operate. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.

1. Downtown Development- Infrastructure: Downtown Position Creation

The Downtown Infrastructure Program enables a community to improve the downtown's infrastructure quality and reduce redevelopment costs to make a project feasible. This program is restricted to downtown infrastructure improvements tied to new commercial/mixed-use development activities that require additional infrastructure to create new economic opportunities and position creation activity. Eligible under this activity would be public improvements, as identified in Section 105(a)(2) of Title I of the HCDA. Public infrastructure includes items located on public property, such as: parking facilities, streetscape, public water or sanitary sewer lines and related facilities, demolition as part of a larger project, streets, roads, bridges, private utilities and public utilities.

Screening Guidelines: Downtown infrastructure projects will be evaluated on the following criteria:

National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of CDBG investment. Funding priority will be given where the funds per position created is up to $25,000 based on the number of positions created or retained.

Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.

Project Type: Projects will be located in a traditional downtown, should be located in a Downtown Development Authority or other like-district. Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project.

Position Creation: Priority will be given to projects creating the greatest amount of permanent full-time positions.

Minimum Local Participation: Proposed projects are expected to have local government funding participation. A minimum of ten (10%) percent local government cash match is required. Funding priority will be given to projects with the highest percentage of local matching funds.

Maximum Grant Amount: The maximum individual grant award will not exceed $750,000.

2. Downtown Development- Façade Improvements

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 Downtown Façade 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. Eligible under this activity would be rehabilitation and reconstruction of buildings, as identified in Section 105(a)(4) of Title I of the HCDA.

Screening Guidelines: Downtown Façade projects will be evaluated on the following criteria:

National Objective: Proposed projects are expected to meet the national objective of either benefiting a population of individuals of whom at least 51% reside in LMI households, or projects that will result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Preference will be given to projects with position creation commitments. For position creation or retention projects, funding priority will be given to projects creating five or more permanent, full-time equivalent positions and where the amount of CDBG funds per position created is $25,000 or less.

Communities that are qualified as LMI communities with a population over 15,000 must include at least five properties to meet the area wide benefit national objective for this initiative. Those communities under 15,000 must have at least two properties to meet the area wide benefit national objective.

Minimum Leverage Ratio: None required for this program.

Project Type: Projects will be located in a traditional downtown, should be located in a Downtown Development Authority or other like-district and all projects must meet the Secretary of Interior's Standards for Rehabilitation. Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project. Priority will be given to communities based on the following:

- Category A: Higher priority projects will demonstrate majority of the following characteristics:
  - within traditional downtown
    - located in a highly visible location
    - located in a DDA or other like district;
  - prior use of downtown development incentives (TIFs, abatements, etc.);
  - local organizational capacity to successfully complete this project;

  - have a full-time downtown development professional or community staff member able to administer the project; and
  - consists of four or more buildings:
    - multi-story
    - mixed-use components
    - Façade only scope (no interior)
    - completed the Main Street Façade Design Program
    - eligible for Historic or Contributing Designation
    - partially or completely vacant building being returned to active use.
  - located within a community that has the following:
    - an adopted downtown development plan;
    - designated as a Main Street or Redevelopment Ready Community;
    - a local façade program.

- Category B: Lower Priority projects will demonstrate majority of the following characteristics:
  - Within traditional Downtown
    - Located in a highly visible location
    - Located in a DDA or other like district
  - Prior use of downtown development incentives (TIFs, abatements, etc.)
  - Local organizational capacity to successfully complete this project
  - Have a full-time downtown development professional or community staff member able to administer the project
  - The project will consist of two or more buildings that have the following characteristics:
    - Multi-story Building
    - Single use buildings
    - Not eligible for Historic or Contributing Designation
  - The community has adopted a downtown development plan.

<u>Position Creation:</u> Priority will be given to projects creating the greatest amount of permanent full-time positions.

<u>Minimum Local Participation:</u> Funding priorities will be given to communities with the highest percentage of private matching funds (committed funds only), but all projects must have a contribution of at least 25% of the total project costs. Preference will also be given to communities that provide additional local support either through tax abatement, direct grant or other financial assistance to the project. Communities that do not request administrative costs or use administrative costs as match will also be considered as providing additional local support. Only complete interior rehabilitation projects will be considered for private match.

<u>Maximum Grant Amount:</u> The maximum individual grant award will not exceed $400,000 and must be for a minimum amount of $30,000.

3. Signature Building

Grants are available for communities seeking 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 position creation. CDBG funding can only be utilized for property acquisition activities.

The CDBG funding allows the community and/or the developer to acquire property that a developer would not typically purchase and redevelop due to the substantial amount of money required to rehabilitate, that its current owners are experiencing challenges with developing and/or maintaining, and it is currently being underused. Therefore, this program gives the community availability/accessibility to funding to stimulate economic opportunity within a traditional downtown. Eligible under this activity would be acquisition of real property, as identified in Section 105(a)(1) of Title I of the HCDA. Ineligible activities for this initiative include exclusively residential structures; government owned buildings, except for Land Bank properties, in-kind donations, renovation of building, appraisals, and structural analysis or other soft costs.

Screening Guidelines: Downtown Signature Building projects will be evaluated on the following criteria:

<u>National Objective:</u> Proposed projects are expected to meet the national objective of creating positions and 51% of the created positions will be held by LMI persons. For position creation or retention projects, funding priority will be given to projects creating five or more permanent, full-time equivalent positions and where the amount of CDBG funds per position created is $25,000 or less.

<u>Minimum Leverage Ratio:</u> Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.

<u>Project Type:</u> Projects will be located in a traditional downtown, should be located in a Downtown Development Authority or other like-district, and the project must be accompanied by at least one appraisal, along with the current SEV, documentation that all taxes are current, as well as verification that non-mortgage liens have not been placed on the property. Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project. Priority will be given to communities based on the following:

- Category A: Higher priority projects will demonstrate majority of the following characteristics:
    - signature, troubled building in the downtown
        - Multi-story building
        - Mixed use
        - Reuse will address an underserved market
        - Zero lot line building
        - Significant structure within the downtown district;
    - property is in a historic district or is historically registered;
    - vacant for three years or more;
    - the property has sufficient parking for a rehabilitated building or the parking will be created as part of the project;
    - structural analysis has been completed for the building;
    - a full time downtown development professional or community staff member able to administer the project; and

  - located in a Main Street or Redevelopment Ready Community.
- Category B: Lower priority projects will demonstrate majority of the following characteristics:
  - a signature, troubled building in the downtown
    - Single-story building
    - Significant structure within the downtown district;
  - in a historic district or is historically registered;
  - vacant, partially vacant or underused for three years or more;
  - property has sufficient parking for a rehabilitated building or the parking will be created as part of the project;
  - structural analysis has been completed for the building
  - A full time downtown development professional or community staff member able to administer the project

<u>Position Creation:</u> Priority will be given to projects creating the greatest amount of permanent full-time positions.

<u>Minimum Local Participation:</u> Funding priorities will be given to communities with the highest percentage of private and/or public matching funds (committed funds only), but all projects must have a contribution of at least 25% of the total acquisition costs. Preference will also be given to communities that provide additional local support either through tax abatement, direct grant or other financial assistance to the project.

<u>Financial Viability:</u> The business must be financially viable and able to document that it has sufficient management abilities and skills to rehabilitate the building and create positions. The business may be subject to a background check.

<u>Maximum Grant Amount:</u> The maximum individual grant award will not exceed $500,000.

4. Unique Downtown Development Grants

Innovative and creative funding requests may be considered by the MSF based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular economic development, downtown development, planning, blight elimination, and infrastructure programs. This may include, but is not limited to, incubator/entrepreneur development, agricultural development, small business growth, brownfield site redevelopment, general public infrastructure, building and building rehabilitation activities, CDBG Section 108 loan guarantees, 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.

Selection guidelines, project periods, and grant amounts will be determined and tailored for each specific project proposal, but will always take into account the national objective, leverage ratio, position creation, local participation and financial viability. Funding considerations shall be subject to the approval and oversight authority of the MSF and must be made in compliance with federal CDBG regulations and requirements and other applicable laws.

National Objective: Proposed projects are expected to meet the national objective of either benefiting a population of individuals of whom at least 51% reside in LMI households, or projects that will result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Preference will be given to projects with position creation commitments.

Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds.

Project Type: Projects will be located in a traditional downtown, should be located in a Downtown Development Authority or other like-district. Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project. Priority will be given to communities with project that demonstrates majority of the following characteristics:

- in-fill development;
- multi-story building;
- mixed-use components;
- reuse will address an underserved market;
- zero lot line building;
- eligible for Historic or Contributing designation;
- vacant for three years or more; and
- have a full time downtown development professional or community staff member able to administer the project.

Minimum Local Participation: Funding priorities will be given to communities with the highest percentage of private and/or public matching funds (committed funds only), but all projects must have a contribution of at least 25%. Preference will also be given to communities that provide additional local support either through tax abatement, direct grant or other financial assistance to the project.

Maximum Grant Amount: None.

PLANNING PROGRAM SPECIFIC REQUIREMENTS

Economic and downtown development planning grants may be available to help communities accomplish project specific planning and design work which is likely to lead to an eligible economic development implementation project. Eligible under this activity would be planning and capacity building, as identified in Section 105(a)(12) of Title I of the of the HCDA. CDBG Planning funding cannot be utilized to create, update, or provide information solely for a community to meet legislatively mandated community planning requirements, including Downtown Development Authority plans.

1. Planning: Economic Development Planning

Projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be specific, with identified goals and outcomes.

Screening Guidelines: Economic development planning proposals will be evaluated on the following criteria:

<u>National Objective:</u> Proposed projects are expected to meet the national objective of likelihood for near term position creation where at least 51 percent of the positions are held by LMI persons.

<u>Minimum Leverage Ratio:</u> None required for this program.

<u>Minimum Local Participation:</u> Funding priorities will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required.

<u>Financial Viability:</u> Evaluation not required for this program.

<u>Maximum Grant Amount:</u> The maximum individual grant award will not exceed $100,000.

2. Planning: Downtown Planning

The Downtown Planning Program enables a community to identify and determine what activities the community could do to increase the viability/accessibility of economic opportunities to revitalize and stimulate position creation within the downtown area. Planning projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be building or area specific, with identified goals and outcomes. Ineligible activities for this initiative include activities that create, update, or provide information solely for a community to meet legislatively mandated requirements (DDA, TIF, Master Plans) and/or engineering and design work for a specific project.

Screening Guidelines: Downtown development planning grant proposals will be evaluated based on the following criteria:

National Objective: Proposed projects are expected to meet the national objective of likelihood for near term position creation where at least 51 percent of the positions are held by LMI persons.

Project Type: Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project. Projects may be considered in either an on-going basis or a competitive round. For the competitive rounds, projects must be located within a traditional downtown, demonstrate timely completion of the project, have site control of the property or cooperation from the property owner, and a complete application. Funding priority will be given to projects that demonstrate majority of the following items:

- located in a DDA or other like district;
- located in a Main Street or Redevelopment Ready Community;
- located in a community that does not have any open grants that have not been drawn down;
- likely potential for 51% low/mod position creation and private investment;
- involves a multi-story building;
- will lead to a the rehabilitation of a historic resource and/or address brownfield conditions; and
- addresses an underutilized downtown theater.

Project elements, match, location, and potential outcomes of project are weighed heavier than other items in competitive rounds.

Minimum Leverage Ratio: None required for this program.

Minimum Local Participation: Funding priorities will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required.

Financial Viability: Evaluation not required for this program.

Maximum Grant Amount: The maximum individual grant award will not exceed $100,000.

BLIGHT ELIMINATION PROGRAM SPECIFIC REQUIREMENTS

The Michigan CDBG Program for blight elimination is allowable anywhere within the community that is designated a slum or blighted area. Eligible under this activity would be property acquisition, clearance/demolition, historic preservation, and building rehabilitation (only to the extent necessary to eliminate specific conditions detrimental to public health and safety), as identified in Section 105(a) of Title I of the HCDA. Ineligible activities for this initiative include privately owned structures (unless related to renovation), exclusively residential structures, demolition of historic structures and state owned buildings, except for Land Bank Properties.

Screening Guidelines: Blight Elimination grants will be evaluated on the following criteria.

National Objective: Proposed projects must meet the national objective of elimination or prevention of slums and blight on a spot or area wide basis. For a property to be eligible, it must meet the definition of blight as defined in the Brownfield Redevelopment Financing Act 381 of 1996, MCL 125.2652 (e)(i-iv) and (vii).

Minimum Leverage Ratio: None required for this program.

Project Type: Funding priority will be given to the demolition of vacant, deteriorated and abandoned buildings which are considered to be detrimental to public health and safety. Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project.

- Category A: Higher priority projects will demonstrate that they are:
  - within traditional Downtown or neighborhood or high pedestrian areas;
  - meet multiple definitions for blight; and
  - provide a minimum match of 25%
- Category B: Lower priority projects will demonstrate that they are:
  - outside of traditional Downtown, but still located in pedestrian oriented area;
  - tax foreclosed properties; and
  - provide higher match amount than 25%.

Minimum Local Participation: Proposed projects are expected to have local funding participation. A minimum of 25% committed cash match is required. Funding priority will be given to projects with the highest percentage of local matching funds.

Project Viability: The community must be able to demonstrate that their proposed project is clearly eliminating objectively determinable signs of blight and is strictly limited to eliminating specific instances of blight (spot blight).

Maximum Grant Amount: The maximum grant amount shall not exceed $1,000,000.

INFRASTRUCTURE (AREA BENEFIT) PROGRAM SPECIFIC REQUIREMENTS

Infrastructure grants are available to help communities upgrade existing public infrastructure systems either by replacing deteriorating, obsolete systems or by adding capacity to existing public infrastructure services in need of upgrade will be given priority. Public infrastructure includes items located on public property, such as: parking facilities, streetscape, public water or sanitary sewer lines and related facilities, streets, roads, bridges, privately owned utilities and publically owned utilities. Eligible under this activity would be public facilities and improvements and privately owned utilities, as identified in Section 105(a)(2) of Title I of the of the HCDA.

1. Infrastructure Grants: Downtown Infrastructure Grants

Downtown Infrastructure Grants (DIG) are available for public infrastructure projects that upgrade existing public infrastructure systems in a traditional downtown. Announcement of this activity will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the Proposals received and awards will be based on the availability of funds.

Screening Guidelines: Downtown infrastructure projects will be evaluated based on the following criteria:

National Objective: Proposed projects are expected to meet the national objective of providing benefit to a population of individuals of whom at least 51 percent reside in low to moderate-income households.

Minimum Leverage Ratio: Projects with the higher combined matching funds (all matching funds including local-committed funds only) will be given priority.

Project Type: Eligible projects will demonstrate that:

- they are located in a traditional downtown;
- the community has not received a 2011 DIG grant;
- the community has a maintenance plan for the proposed projects; and
- the project is able to be completed within one year of the grant agreement sign date.

Priority will be given to communities that demonstrate:

- the community does not have any open grants that have not been drawn down;
- the project is in a DDA, or PSD/BID/BIZ, or similar; and
- the community has incorporated innovative design elements.

Project elements, match, and leverage of funds are weighted heavier than other items in scoring of projects.

Minimum Local Participation: Proposed projects are expected to have local government funding participation. A minimum of ten (10%) percent local government committed cash match is required. Funding priority will be given to projects with the highest percentage of local matching funds.

Financial Viability: Evaluation not required for this program.

Maximum Grant Amount: The maximum individual grant award will not exceed $750,000. Applications will be accepted and grants awarded as funding availability allows.

2. Infrastructure Grants: Infrastructure Capacity Enhancement

Grants are available for public works projects that upgrade existing public infrastructure systems either by replacing deteriorating or obsolete systems or by adding capacity to existing systems. Announcement of this activity will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the Proposals received and awards will be based on the availability of funds.

Screening Guidelines: Infrastructure Capacity Enhancement projects will be evaluated based on the following criteria:

National Policy Objective: Proposed projects are expected to meet the national objective of providing benefit to a population of individuals of whom at least 51 percent reside in low to moderate-income households.

Project Type: While community and recreational facilities are eligible as are new infrastructure projects, public infrastructure projects that address necessary improvements to existing public infrastructure services in need of upgrade will be given priority. Priority will be given to communities that demonstrate:

- the project will commence within the current calendar year;
- the project has the highest combined matching funds; and
- the project has a low cost per resident rate. Minimum Local Participation: Funding priority will be given to communities with the higher percentage of local matching funds (committed funds only) and all other matching funds from other sources (committed funds only) for the applicant's proposed project.

Maximum Grant Amount: The maximum individual grant award will not exceed $1,000,000. Applications will be accepted and grants awarded as funding availability allows.