



STATE OF MICHIGAN

JENNIFER M. GRANHOLM GOVERNOR MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY LANSING

KEITH MOLIN EXECUTIVE DIRECTOR

MEMORANDUM

To: County Allocation Grantees
From: Bill Parker, Director of Field Services Office of Community Development
Date: November 18, 2009
Subject: 2010 Community Development Block Grant (CDBG) County Allocation Grants

As outlined in the memo I sent to you dated August 11, 2009, MSHDA has experienced delays in receiving CDBG funds awarded by HUD for the past several years. This year the awards announced in January of 2009 only became available in IDIS in August. As a result of these delays, MSHDA OCD has decided to change the cycle for funding CDBG county allocation grants from a 30 month term starting January 1, to a start day of July 1. Therefore the next NEW County Allocation grants awarded will begin July 1, 2010 (instead of January 1, 2010) and end December 31, 2012. MSHDA OCD expects 100% of the grant funds to be committed within the first 24 months of the grant term; the final six months will be used to expend all grant dollars.

In order to transition to this new CDBG funding cycle, OCD has increased most existing county allocation grants by 25% and extended the term by six months.

The purpose of this memo is to advise counties of the Office of Community Development's (OCD) priorities for County Allocation Grants for the 2010 funding year. OCD grantees applying for funding at 100 percent of their county allocation need to expend grant funds in a timely manner and meet the terms of OCD's leveraging requirements. For current grants expiring June 30, 2010 through December 31, 2010, the following policies are being announced in this memo.

- APPLICATION PROCESS
• ALLOCATION AMOUNTS AND ELIGIBLE ACTIVITIES
• RENEWAL OF GRANTS AND DETERMINATION OF RENEWAL AMOUNT
• USE OF CDBG FOR BASE ALLOCATION GRANT
• PIP PLUS FUNDS

I. APPLICATION PROCESS

The application for 2010 CDBG County Allocation funds will be available via the following web-site: http://www.mshda-opal.org on April 1, 2010. Assuming the 2010 federal budget is



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approved in a timely manner, **MSHDA will fund 2010 CDBG County Allocation eligible grant applications submitted on-line between April 1, 2010 and June 30, 2010** for a 30 month term effective July 1, 2010, or as soon as possible after approval (whichever is later). All renewal grants will expire December 31, 2012, however, it is expected the grant will be substantially expended and all projects set-up prior to May 15, 2012. Applications received after June 30, 2010 are not guaranteed an allocation of 2010 CDBG funds.

II. ALLOCATION AMOUNTS AND ELIGIBLE ACTIVITIES

HUD's CDBG funds for States are allocated by population size to the non-entitled communities in Michigan resulting in the following potential award amounts for Michigan counties:

<u>Population</u>	<u>Allocation Amount</u>
0 - 5,000	\$100,000
5,001 - 10,000	\$125,000
10,001 - 20,000	\$150,000
20,001 - 30,000	\$175,000
30,001 - 40,000	\$200,000
40,001 - 50,000	\$225,000
50,001 - 60,000	\$250,000
60,001 - 70,000	\$275,000
Over 70,001	\$300,000

Applications for 2010 CDBG County Allocation grant funds may be submitted for the following eligible activities--detailed information regarding each of these components is described in OCD's Housing Resource Fund Summary found on MSHDA's website.

Homeowner Assistance – Funds for this component may be used to improve the principal residence of low-income homeowners for Homeowner Rehabilitation and Emergency Repair activities.

Rental Rehabilitation – This component offers funds to rehabilitate investor owned properties in strategically targeted neighborhoods.

- Homebuyer Assistance – CDBG program dollars may be used to fund:
- Deferred loans of up to \$10,000 per unit to households assisted by a local Habitat for Humanity Affiliate, and
 - Down Payment Assistance without rehabilitation, if MSHDA's Links to Homeownership Program is not locally available.
 - Home Purchase with Rehabilitation (HPR) on a county-wide or targeted basis.
 - Acquisition Development Resale (ADR) is eligible, however, new construction would generally be ineligible.

III. RENEWAL OF GRANTS AND DETERMINATION OF RENEWAL AMOUNT

OCD bases its policies for renewal of these grants on the following priorities:

- Promoting the prompt expenditure of grant funds;
- Maximizing the number of units and extent of rehab by maximizing leveraged funds;
- Implementing programs in compliance with Federal regulations and MSHDA policies;
- Preserving CDBG funds for targeted strategies (such as the Neighborhood Preservation Program and Downtown Revitalization).

To implement these priorities, OCD has established the following funding opportunities:

A. 100% Base Allocation

Counties may apply for CDBG renewal grants of up to 100% of their county allocation amount as soon as the following conditions are met (but no sooner than April 1, 2010):

- The current grant is at least 75% expended (that is, 75% of the grant has been drawn down by the county and paid to contractors for completed work);
- There are no outstanding findings from past or current grants.

Counties that do not meet either of the above requirements may reapply when their current grant is at least 75% expended. However, counties are encouraged to submit applications prior to June 30, 2010, as there is no guarantee the funds will be available after this date.

IV. USE OF CDBG FOR BASE GRANT

Due to difficulties related to allowing counties to keep HOME Program Income, OCD will fund base county allocations with CDBG funds only.

V. PIP PLUS FUNDS

Over the last 2 years, in an effort to provide additional homeowner rehabilitation funds to counties who are willing to participate in the MSHDA Property Improvement Program (PIP), MSHDA established a PIP-Plus fund that has been administered by Roscommon County. Roscommon County is the administrator of the fund, all MSHDA CDBG County Allocation Grantees can access the fund. A memo detailing the current status of the PIP-Plus fund is attached.

If you have any questions, please contact your CD Specialist.

Q & A about this Memorandum:

Q1: The funds in our current grant are exhausted. May we apply for a renewal now?

A: No, as stated above, County Allocation Grantees can apply for 2010 funds beginning April 1, 2010.

Q2: In the past we have been reporting only required leverage (25%), after 25% we stop reporting. What should we do?

A: In the future, when reporting on OPAL in the Leverage Fund Summary Screen, include under "Leverage" the total of all leverage funds from eligible sources outside your grant that were expended to complete grant-funded projects. You may also include stand-alone PIP loans as leverage.

Q3: But the OPAL Leverage Fund Summary Screen counts only leverage from completed projects. What about leverage on projects that are in progress?

A: Leverage on uncompleted projects but are under contract may be considered with approval from your Community Development Specialist.

Q4: Can we expect an opportunity to apply for increases during a grant term?

A: We do not expect to increase funding beyond 100% of the allocation amount. You should not expend funds substantially ahead of schedule in the hope of getting an increase if such expenditures will (a) create problems in budgeting local administrative costs for the entire two-year period, or (b) result in an interruption in housing services that will cause local public relations problems. You can of course, apply for other funds through the Housing Resource Fund that meet OCD funding priorities.

Q5: Does OCD expect these policies to be in force in future years?

A: Allocation formulas and funding policies change from year-to-year, depending on funding availability and priorities. The policies announced in this memo affect only the groups of grantees as indicated. However, because of other demands on CDBG funds, MSHDA OCD will most likely only fund eligible counties at 100% of the base allocations.

Q6: OCD is emphasizing targeted projects under its Housing Resource Fund (HRF). Are counties expected to restrict County Allocation projects to target areas?

A: No. Counties may run countywide programs or engage in targeted projects with their county allocation funds.