



CDBG HOUSING IMPROVING LOCAL LIVABILITY (CHILL) PROGRAM

PROGRAM STATEMENT

Under the Michigan State Housing Development Authority (MSHDA) Community Development Block Grant (CDBG) Housing Initiatives Program, grants are awarded to non-entitlement Units of General Local Government (UGLG) to develop and preserve decent affordable housing for use by low- and moderate-income families. The CHILL program will make available \$20 million for use in non-entitlement areas to conduct homeowner rehabilitation and residential demolition/redevelopment/resale activities.

State CDBG funds are federal dollars from the United States Department of Housing and Urban Development (HUD). Congress amended the Housing and Community Development Act of 1974 in 1981 to give each State the opportunity to administer CDBG funds for non-entitlement areas. Non-entitlement areas include those UGLGs which do not receive CDBG funds directly from HUD. Generally, this includes municipalities with populations of less than 50,000 (except cities that are designated principal cities of Metropolitan Statistical Areas), and counties with populations of less than 200,000. The MSHDA CDBG program awards grants only to non-entitlement units of general local government.

The CHILL program prioritizes homeowner rehabilitation and infill housing activities to address housing priorities identified in a 2023 survey of housing and community development needs. The survey had 690 responses from local government representatives, non-profit agencies, and individual State of Michigan residents. The survey asked respondents to rank a predetermined short list of community development and housing needs and solicited open-ended responses that resulted in an additional 232 suggestions. 45.5% of all respondents and 46% of local government representatives from non-entitlement communities ranked homeowner rehabilitation as the highest priority amongst available options. The second highest priority amongst non-entitlement community representatives was the redevelopment and resale of single-family housing on previously cleared vacant lots, which was their top priority 17.1% of the time. These two priorities were also strongly supported in the open-ended suggestion section of the survey.

The two eligible activities under the CHILL program are Homeowner Improvement Project (HIP) and Demolition/Redevelopment/Resale (DRR). In addition to aligning with UGLG priorities in the survey, these activities are designed to further Michigan's Statewide Housing Plan goal of constructing or rehabilitating 75,000 housing units.

Homeowner Improvement Project (HIP) Preserving affordable owner-occupied housing units will be achieved by offering low- and moderate-income homeowners, those making less than 80% the area median income (AMI), may receive up to \$40,000 to address health and safety concerns and maintenance issues. Projects requiring CDBG assistance of \$10,000 or less will be offered as a grant with no requirement or expectation of repayment. CDBG assistance of \$10,001 or more shall be offered as a zero interest zero payment loan, forgivable after five years and secured by second mortgage with forgiveness prorated monthly. Eligible project costs are the actual costs of rehabilitating housing and activity delivery costs, including but not limited to interior and exterior improvements to meet code requirements, roof repair or replacement, siding, windows, plumbing, electrical, mechanical, and insulation.

Demolition/Redevelopment/Resale (DRR) This activity promotes blight reduction, reactivation of vacant parcels in established neighborhoods, infill construction, and affordable homeownership. It allows for the use of a vacant parcel recently cleared through the use of demolition, in conjunction with the redevelopment and resale of single-family housing to a low- or moderate-income (80% AMI) homebuyer. CDBG assistance is capped at \$200,000 per unit, secured by a construction mortgage during construction and discharged upon resale to an eligible buyer. Up to 20% of CDBG assistance can be used as subsidy—either as development or homebuyer subsidy. Homebuyer assistance will be in the form of a zero interest, zero payment loan, forgivable after five (5) years and secured by a second mortgage with forgiveness prorated monthly. Eligible project costs include but are not limited to costs to meet applicable building and construction standards, modest landscaping, and activity delivery costs (or reasonable developer fee).

Of the available \$20 million, MSHDA will utilize \$19.6 million for UGLG subawards with 18% set aside for grantee administrative costs. \$10 million will be made available for Homeowner Rehab and \$6.4 million for Demolition/Redevelopment Resale. Grant awards will be based on a regional distribution of funding with 5% set aside for the Upper Peninsula (UP), 30% set aside for rural areas (including the 5% set aside for the UP, and 100% targeted to non-entitlement areas overall. Proposals will be funded up to \$500,000 maximum plus administrative costs per community. Applicants may propose more than one eligible activity, but the total funds requested may not exceed the maximum.

The goal is to fund a minimum of \$1 million per region to facilitate an equitable geographic distribution of CDBG resources (see CDBG Municipalities Map for alphabetical region boundaries). If enough proposal are not received to award full funding to a region, then funds will be allocated to other regions based on demonstrated need and proposal quality.

The program's intent is to fund tangible housing activities that are implementation ready—able to be completed in eighteen (18) months; highly visible; impactful to the neighborhood and resident quality of life; holistically/community focused; and where there is buy-in and demonstrated support within the neighborhood and community. Once a letter of intent has been received and determined eligible, applicants will be notified and invited to complete a full application that includes demonstrating an ability to meet these priorities.

Grant awards will be made through a competitive evaluation process. Awards will be based on the geographic distribution plan outlined above and the ability of applicants to demonstrate capacity and implementation plans that align with program priorities.

If you have questions regarding this program statement, please email mshda-cdbg@michigan.gov.