

CDBG HOUSING IMPROVING LOCAL LIVABILITY (CHILL) PROGRAM

TERM SHEET

CHILL PROGRAM OUTLINE	
Program Overview	<p>The CDBG Housing Improving Local Livability (CHILL) Program will utilize United States Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds as a grant mechanism within the Michigan State Housing Development Authority (MSHDA or the Authority) Neighborhood Housing Initiatives Division (NHID).</p> <p>All applicable HUD CDBG rules and regulations will be strictly enforced.</p>
Program National Objective	Low Mod Housing
CHILL Program Goal	<p>The CHILL program will make available up to \$20 million in financial assistance for use in non-entitlement areas to conduct homeowner improvement and residential demolition-reconstruction-resale activities. The assistance will be provided to eligible government entities via a multi-year subrecipient agreement awarded for up to \$500,000 per Unit of General Local Government (UGLG).</p> <p>UGLGs will then distribute the funds within their local neighborhood(s) for a Low- to Moderate-Income (LMI) housing activity carried out for the purpose of reconstructing or improving permanent, single-family residential structures for qualified households with incomes at or below 80% of Area Median Income (AMI)</p>
Size of CHILL Program	MSHDA will utilize \$19.6 million for UGLG sub-awards, with 18% set aside for administrative costs.
Program Eligible Subrecipients	<p>Only non-entitlement UGLGs are eligible to apply for CDBG funds. See attached CDBG Municipalities Map for a display of eligible and ineligible areas.</p> <p>UGLGs may subaward CDBG funds to eligible subrecipients, including non-profit organizations, and other entities that have the capacity to carry out eligible CDBG activities. UGLGs are responsible for ensuring that subrecipients meet all eligibility requirements and have the capacity to carry out the proposed activities. UGLGs must enter into written agreements with each subrecipient before disbursing any CDBG funds. The written agreement must specify the terms and conditions of the subaward, including the scope of work, performance goals, reporting requirements, and other relevant information. The agreement must also include provisions for monitoring and oversight by the UGLG.</p> <p>UGLGs are responsible for monitoring the performance of subrecipients to ensure that CDBG funds are used in accordance with all program requirements. UGLGs must establish procedures for monitoring subrecipients, including regular reporting, site visits, and other appropriate methods. UGLGs must take appropriate action when</p>

	<p>performance problems arise, including providing technical assistance or terminating the subaward.</p> <p>Compliance with Federal Regulations CDBG grantees and subrecipients must comply with all applicable federal regulations and program requirements, including those related to procurement, financial management, environmental review, fair housing, and other relevant areas. Grantees are responsible for ensuring that subrecipients understand and comply with these requirements.</p>
Program Duration	The period of performance for the CHILL Program awards will begin on the effective date of the written grant agreement with full disbursement of funds no later than 18 months thereafter.
Program Launch	The Authority will launch an initial funding round for subrecipient application submissions statewide on August 28, 2023 with a solicitation for letters of interest. Approved letters will be invited to submit a full application. After MSHDA application approval, stakeholder engagement, and public engagement/comment the process is complete with grant agreements to be fully executed in December 2023.
GRANT OUTLINE	
Structure	The Subrecipient award is structured as a performance-based grant.
Community Eligibility	A minimum of 30% of the funds will be set aside to assist households within rural communities and of that 30%, 5% will be set aside to assist households located within the UP. 100% targeted to non-entitlement areas.
Targeted Population	Funding will be made available to eligible non-entitlement subrecipient UGLGs to administer the CHILL Program locally and provide or improve permanent, single-family residential structures for low- and moderate-income households—defined as households with incomes at or below 80% of area median income, adjusted for household size.
Parameters	<p>Grant awards 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.</p> <p>Selections will be based on regional distribution of funding with 5% set aside for the Upper Peninsula, 30% set aside for rural areas, and 100% targeted to non-entitlement areas overall. The goal is to fund a minimum of \$1 million per Michigan Statewide Housing Plan region to facilitate an equitable geographic distribution of CDBG resources (see attached CDBG Municipalities Map for a display of region boundaries labeled alphabetically). If enough proposals 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.</p> <p>Awards will be allocated based on a competitive scoring process.</p>

Payment Process	<p>The Authority will disburse CHILL assistance directly to subrecipient UGLGs on a reimbursement basis only.</p> <p>Reimbursement for purposes of the program is defined as the issuance of a paper check via a MSHDA grant management system when work has been completed, an UGLG is invoiced for the work performed, and both UGLG and owner sign-off has been secured.</p> <p>A holdback of up to 10% of the project setup amount may be held and not reimbursed until all paperwork regarding final completion and reporting of activity outcomes is provided.</p>
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ACTIVITIES OUTLINE

Eligible Activities	<p><u>Homeowner Improvement Program (HIP):</u> 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.</p> <p>Projects requiring CDBG assistance of \$10,000 or less will be offered as a grant with no requirement 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. 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.</p> <p><u>Demolition/Reconstruction/Resale (DRR):</u> Demolition/Reconstruction/Resale (DRR): This activity promotes blight reduction, reactivation of vacant parcels in established neighborhoods, infill construction, and affordable homeownership. It allows for the reconstruction of single-family housing on a vacant parcel recently cleared through the use of demolition, and resale to a low- or moderate-income (80% AMI) homebuyer. Note that acquisition and demolition are NOT allowable uses of CDBG funds under this activity, so leveraged funds must be used if acquisition or demolition are necessary.</p> <p>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 50% of CDBG assistance can be used as subsidy. At least \$1,000 and up to \$40,000 of that subsidy to be used for homebuyer assistance, based on need determined through underwriting. Eligible project costs include but are not limited to meet applicable building and construction standards, modest landscaping, and activity delivery costs (or reasonable developer fee).</p> <p>See Quickfinders for additional details.</p> <p>All residential reconstruction and rehabilitation must be in accordance with all locally adopted building and housing codes, standards, and ordinances. If locally adopted and enforced building and housing codes do not exist, refer to NSPIRE standards as set forth in 88 FR 30442.</p>
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Eligible Households	<p>Eligible homeowners must meet the following criteria:</p> <ul style="list-style-type: none"> ▪ Have a household income at or below 80% Area Median Income (AMI), adjusted for household size. ▪ Currently own and occupy the property as their primary residence. ▪ Provide verification of occupancy of the home for a minimum of 12 months from the date of the CHILL application submission. ▪ Provide verification that property tax payments are current, or a payment plan is in place must be provided. ▪ Provide verification properties are insured prior to, or post-rehab must be provided. ▪ For properties owned by a trust, a Certificate of Trust is required. This must confirm that the applicant is the trustee and has the requisite authority to approve participation in the CHILL Program. If the Certificate of Trust does not provide the appropriate verification, a Certificate of Trustee Authority will also be required. <p>Eligible homebuyers must meet the following criteria:</p> <ul style="list-style-type: none"> ▪ Have a household income at or below 80% Area Median Income (AMI), adjusted for household size. ▪ Complete a HUD approved Homebuyer Education Course. ▪ Able to secure a first mortgage from a lending institution or if no first mortgage lending product is used, a MSHDA mortgage will still be required in first position.
Leverage	<p>The Authority will undertake its best effort approach to encourage UGLGs to leverage additional complementary assistance that is made available for homeowners or homebuyers through other local, state, and/or federal programs. UGLGs are encouraged to partner and leverage funding; however, it is not required. Leverage is not required to come directly from the homeowner.</p> <p>Note: If the applicant chooses to include/obtain leverage within the proposed budget, for compliance and to receive evaluation preference, all leverage must be identified and committed/secured.</p>
Match	Not required; however, highly encouraged.