



# MSHDA CDBG Grantee Training

November 19, 2025

# Agenda

## Regulatory Overview

National Objectives

Eligible Activities

Eligible Costs

Financial Management

Admin Roles

## MSHDA Updates

Policy Manual

LOI Process/Status

Getting from LOI to Grant

## Grant Start-Up

Grant Agreement

Agreement Execution

Pre-disbursement Conditions

Program Guidelines

Local Account

Program Staffing/Procurement

## Grant Admin

Environmental Review

Lead-Based Paint

Working with Homeowners & Contractors

Disbursements & Monitoring

# **CDBG Basics:** National Objectives, Eligible Activities & Costs, Financial Mgt

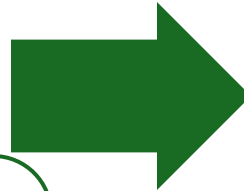
# CDBG Overview

- ▶ Title I, Housing & Community Development Act (HCDA) of 1974
  - ▶ Section 105(a) identifies specific eligible activities
- ▶ Annual Funding:
  - ▶ 70% to Entitlement Communities & Urban Counties
  - ▶ 30% to States for use in non-Entitled communities & areas of State
- ▶ State of Michigan allocation - Michigan Strategic Fund
  - ▶ MEDC for economic development and related activities
  - ▶ MSHDA for housing-related activities

# What Activities Are Eligible?

## Eligible Activity

- Section 105(a) activities as interpreted in 570.201-.206
- Not an ineligible activity under 570.207
- Must be consistent with needs & activities in ConPlan / Annual Plan



## National Objective

- 3 primary National Objectives:
  - Low/Mod
  - Slums/blight
  - Urgent need
- MSHDA focus:
  - L/M Housing
  - L/M Area

# National Objectives for MSHDA Activities

## Low/Mod Housing

- 570.208(a)(3)
- Structure must be occupied by LMI
  - 1 LMI unit in a duplex; 51% LMI if 3+ units)
- Aggregation to meet 51% allowed in some instances

## Low/Mod Area

- 570.208(a)(1)
- Activities that benefit all residents of area that is 51% low/mod
- Area must be primarily residential

# The Rule: 24 CFR Part 570

- ▶ Eligible activities – authorized by NAHA Section 105(a)
  - ▶ 570.201: basic eligible activities
  - ▶ 570.202: rehabilitation/preservation activities
  - ▶ 570.204: CBDOs (being added in 2025-29 ConPlan)
  - ▶ 570.205-.206: planning & admin activities
  - ▶ 570.207: ineligible activities

# MSHDA CDBG Eligible Activities

## ▶ Homeowner Rehab

- ▶ Repairs/improvements for LMI homeowners to address health, safety and energy efficiency needs.

## ▶ Reconstruction/Resale

- ▶ Development on site of recent demolition for resale to a low- and moderate-income homebuyer

## ▶ Manufactured Housing

- ▶ Purchase of HUD approved manufactured housing units installed on land owned by grantee, zoned properly, sold to LMI homebuyer.

# MSHDA CDBG Eligible Activities

## ▶ Housing Infrastructure

- ▶ Physical improvements that enable affordable housing development (e.g., sidewalks, driveways, water/sewer extensions, roads, parking)

## ▶ Unoccupied Rental Rehabilitation

- ▶ Redevelop unoccupied residential spaces for LMI renters, typically in mixed use, downtown settings.

# 2 CFR Part 200: Uniform Admin Requirements

**Fin Mgt Systems**

200.302-.303

**Procurement**

200.318-.327

**Fed Assistance  
Financial Mgt**

**Cost Principles**

200.402-.406

**Audit**

200.501-.507

# 5 Key Characteristics of Allowable Costs

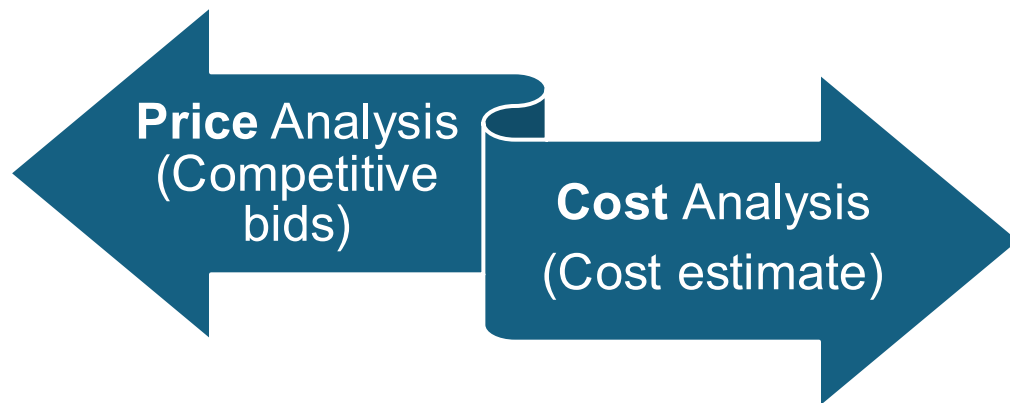


# Direct Project Costs

- ▶ Costs allocable to a specific project/program/activity, e.g..
  - ▶ Project costs
  - ▶ Contracts/services
  - ▶ Materials/supplies
  - ▶ Professional fees

## 2 Requirements Controlling Expenditures

### Cost Reasonableness



**UGLGs are responsible for ensuring that all costs are reasonable**

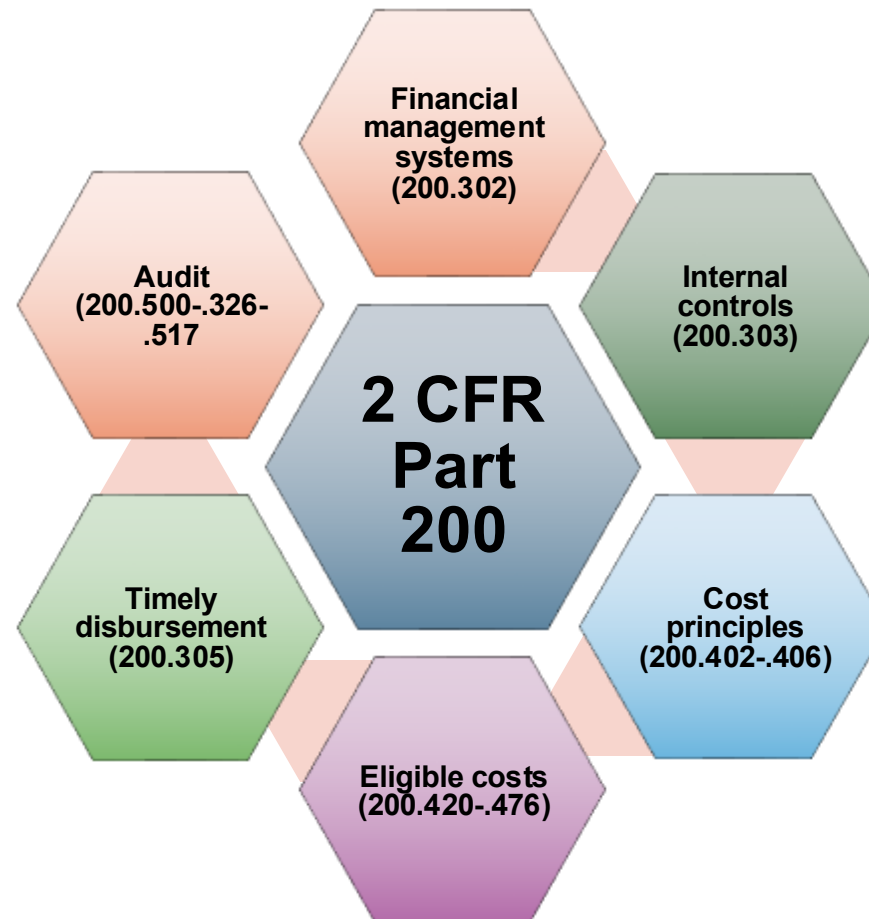
### Procurement Rules

- ▶ State must establish procurement policies, “based on full and open competition.”
- ▶ 200.318-.327 procurement procedures apply when:
  - ▶ If Recipient is “procurer”, procurement rules apply
- ▶ If Developer/Owner is “procurer”:
  - ▶ Owner chooses contractor
  - ▶ But UGLG sets requirements & administers/advises
- ▶ Applicable requirements: include in each contract

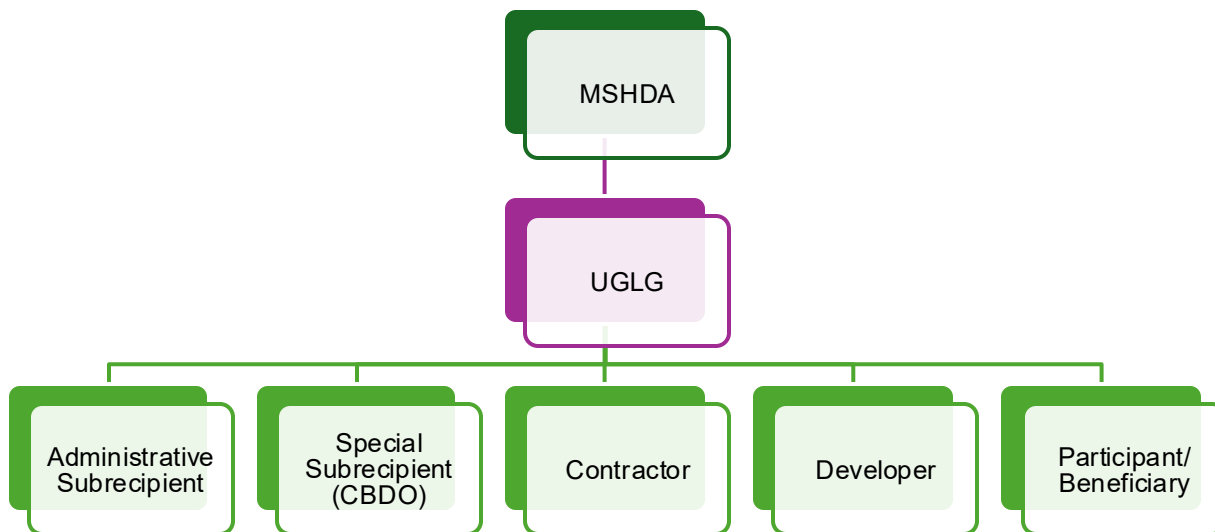
# Eligible Administrative Costs

- ▶ Administration
  - ▶ Staff or a Third-Party Administrator
  - ▶ Capped at 18%
  - ▶ Subject to Part 200 standards
    - ▶ Personnel: 200.430 (personnel records, payroll, no double billing)
    - ▶ Fringe 200.431
    - ▶ Documentation of personnel: 200.430(g)
- ▶ Materials and Supplies
- ▶ Professional Services
  - ▶ May be considered Exempt

# Part 200 Financial Management Requirements



# CDBG Roles



**Bottom line: UGLGs are responsible regardless of what partners they use**

- ▶ Subrecipients – pass-thru administrators subject to same rules as UGLGs
  - ▶ Not currently permitted
  - ▶ CBDOs – special subrecipient pilot
- ▶ Contractors – provides administrative services to UGLGs
  - ▶ Must be procured; subject to contract
- ▶ Developers/owners– program beneficiaries
  - ▶ Selected by approved process
  - ▶ Subject to Wr. Agreement requirements

# Documenting Staff Time

- ▶ Personnel Timekeeping Log
  - ▶ An after-the-fact accounting of time that shows CDBG hours separate from non-CDBG hours worked
  - ▶ Signed and certified by the employee and supervisor.
  - ▶ Must reflect actual time worked, not just budgeted allocations.
- ▶ Payroll Records
  - ▶ Pay stubs or payroll summaries showing wages paid.
  - ▶ Documentation of payroll deductions and benefits.

# MSHDA Program Update

# CDBG Policy Manual – Update in Progress

## Introduction

1. Program Overview
2. Application & Award
3. Grant Start-up

## Program Management

4. Financial Management
5. Ongoing Mgt & Monitoring
6. Recordkeeping

## Project Implementation

7. Household Eligibility
8. Environmental Review
9. Acquisition
10. Relocation
11. Procurement
12. Construction
13. Labor Standards
14. Fair Housing & EO  
Policy Bulletins

<https://www.michigan.gov/mshda/neighborhoods/community-development-block-grant/cdbg-policy-manual>

# Status of Funding Rounds

- ▶ 2025-26 CDBG Funds announced on November 3<sup>rd</sup>.
- ▶ Letters of Intent (LOI) due December 4<sup>th</sup>.
- ▶ Applicants have 120 days from date of designation to complete and submit application.
- ▶ New LOI window in January for uncommitted funds.

# Certifications & Assurances

- ▶ **Certifications:** Formal, federally required statements that a grantee is in compliance with specific laws/regulations (e.g., Civil Rights Acts, citizen participation rules).
- ▶ **Assurances:** Broader commitments that the grantee will comply with administrative, financial, and programmatic requirements during grant execution.

# Certifications

## Legal Authority

- Authorized official certifies power to submit grant application.

## Citizen Participation

- Comply with 570.486(a)
- Encourage participation
- Provide access to meetings/records
- Allow comment
- Grievance Process

## Transparency & Public Notice

- Publish notices
- Share applications
- Hold Two Public Hearings
- Disclose funding, activities, and displacement plans

## Fair Housing and Civil Rights

- Comply with Public Law 88-352 & 90-284.
- Affirmatively further fair housing.
- Prohibit excessive force in nonviolent demonstrations.

## Program Priorities

- Maximize benefit to LMI families.
- Address slum/blight or urgent needs.
- Develop community development plan.

## Financial Safeguards

- No recovery of capital costs from LMI households
- No lobbying with federal funds

# Assurances

- **Financial Accountability:** Follow 2 CFR Part 200 (Uniform Guidance) for financial management & audits.
- **Civil Rights & Equal Opportunity:** Comply with Civil Rights Act of 1964 & 1968, Michigan Civil Rights Act, Fair Employment.
- **Labor Standards & Relocation:** Adhere to Davis-Bacon Act requirements and the Uniform Relocation Act.
- **Health & Safety:** Comply with Lead-Based Paint Poisoning Prevention Act.
- **Environmental Responsibility:** Assume duties under NEPA (1969) & (24 CFR Part 58).
- **Accessibility:** Meet Section 504 Rehabilitation Act requirements (24 CFR Part 8).
- **Citizen Participation & Oversight:** Implement citizen participation per 24 CFR 570.486(a) & allow state officials access to records.

# Steps from LOI to Agreement

- ▶ Application Approval
- ▶ Reservation Memo – becomes part of the Grant Agreement
- ▶ IGX Registration
- ▶ Annual Profile Review – must be submitted before Grant Agreement can be executed.

# Grant Start-Up

# Grant Agreement

- ▶ Agreement = foundation of program compliance
- ▶ Attachments (application + reservation memo) are part of the contract
- ▶ Covers scope, funding, compliance, affordability, & reporting requirements
- ▶ Use the agreement as your first reference tool when questions arise

# Agreement Execution Requirements/Process

## Completed by MSHDA in IGX

Authorized Signature Designation Form

Signed by Authorized Official and submitted

## Authorized Signature Designation Form

Designates who has permission to complete steps in IGX

Must match Authorizing Resolution

Download, sign and upload

# Pre-disbursement Conditions

- Annual Profile Review
- Completion of NEPA Environmental Review
- Environmental Review Release of Funds
- Program Guidelines
- Grant Specific Conditions

# Program Guidelines – Why They Matter

- ▶ Provide clarity to applicants about eligibility and requirements
- ▶ Ensure fairness and consistency in decision-making
- ▶ Protect the grantee from claims of discrimination or favoritism
- ▶ Demonstrate compliance with regulations
- ▶ Serve as a quick reference tool for staff and training
- ▶ Promote transparency and accountability to the public

# Program Guidelines – What They Include

- ▶ Eligibility criteria for households, properties, and costs
- ▶ Policies on fair housing, conflict of interest, fraud prevention, and complaints
- ▶ Activity-specific rules (rehab, rental, reconstruction, manufactured housing, infrastructure)
- ▶ Income verification methods and use of HUD AMI data
- ▶ Monitoring and reporting requirements, including record retention

# Local Account

- ▶ Grantees must establish a dedicated local account for MSHDA CDBG funds
- ▶ Account must be separate, non-interest bearing, used only for CDBG activities
- ▶ No commingling with other local, state, or federal program accounts
- ▶ Account title must clearly identify: “MSHDA CDBG [Program Name]”

# Exempt Cost Approval

- ▶ Determine the use of admin funds and ensure exempt status
  - ▶ Complete the Determination of Level of Environmental Review Form (7-A)
  - ▶ Complete the Finding of Exempt Activity (7-B)
  - ▶ Complete the Exempt Activities Determination Letter (Sample 7-E)
- ▶ Grantees must request MSHDA approval prior to incurring exempt costs
  - ▶ These activities can include administration and environmental review costs

# Program Staffing & Procurement

## Local Government Roles

**Authorized Official:** Approves program guidelines, submits reports and financial draws

**Program Manager:** Creates program guidelines using template, compiles reports, reviews and approves payment of invoice. Provides financial insight prepares liens and financial draws

**Intake Specialist:** Processes applications, determines household eligibility, verifies income

**Construction Specialist:** Performs property inspections, writes specifications. Prepares cost estimates, solicits contractor bids, supervises construction

## Hired Program Partners

### Third Party Administrator (TPA)

- Can be hired to fulfill most responsibilities but for those of the Authorized Official, may not select beneficiaries
- Must be procured, usually through a Request for Proposal (RFP) or small purchase process, minimum two bids required
- Can be an experienced consultant or a local housing non-profit

### Environmental Consultants

- MSHDA provides a list of pre-vetted consultants

### Construction Contractors

# Homeowner Rehab Program Implementation

Environmental Review

Lead-Based Paint

Working with Owners/Contractors

Drawing Funds

Program Monitoring

# Environmental Review

- ▶ 24 CFR Part 58 – Applicable to HUD programs
- ▶ Requires review to occur at 2 levels of government
- ▶ For State CDBG:
  - ▶ UGLG is the “Responsible Entity”
  - ▶ MSHDA is the “Review Authority”

# Project Scope

## Aggregation (58.32)

- Group integrally related activities into single ER
  - All funding sources & activities, not just CDBG
  - Also, aggregate multi-year project activities

## Tiering (58.15)

- Partial review if sites not yet selected (e.g., multi-site housing program)
  - Tier I – Overall activity review; establish parameters as sites are identified; RROF processed
  - Tier II - Site-specific reviews; no notices or RROF if no impacts beyond Tier 1; no project funding/work until Tier 2 completed.

# Homeowner Rehab Environmental Review

## Categorically Excluded (subject to 58.5 – 58.35(a))

- Most 1–4-unit rehab (limits)
- Removal of arch. barriers
- Individual action (not rehab) on 1-4 unit or 5+ scattered site

## Compliance Determination

1. Tier I Program Review - CEST Checklist
  - Notice/RROF \*
2. Tier II: remaining CEST for each project
  - If no compliance requirements, convert to exempt; no RROF
  - If compliance requirements, publish & request release of funds

# Prohibited Actions Before Clearance (58.22)

- ▶ Until review completed and funds released, no participant (MSHDA UGLG, developer/local partners) may:
  - ▶ Commit (execute legally binding agreements) or expend CDBG funds
  - ▶ Commit or expend non-HUD funds (except for Exempt activities)
  - ▶ Undertake a “choice limiting” action, e.g.:
    - ▶ Acquisition (purchase options permitted)
    - ▶ Demolition/movement
    - ▶ Construction/rehabilitation/repair
- ▶ UGLG/partners can incur planning & other Exempt costs prior to release, but at their risk



# Lead-Based Paint Rules

- ▶ 24 CFR Part 35 applies to pre-1978 structures receiving Fed housing assistance (incl. CDBG), except:
  - ▶ Certified LBP free or LBP removed
  - ▶ Unoccupied pending demo
  - ▶ Rehab or maintenance that won't disturb painted surfaces
  - ▶ Emergency action
- ▶ 40 CFR Part 745 also applies: EPA Renovator

# LBP Requirements

- ▶ Disclosures to owner/occupants
- ▶ Lead-safe work practices & occupant protections
- ▶ Risk assessment of house required above \$5,000
  - ▶ MSHDA will approve Presumption of Lead up to \$25,000
- ▶ Internal controls interior/exterior up to \$25,000
- ▶ Abatement of interior hazards above \$25,000
- ▶ Unit clearance on completion

# Working with Homeowners

- ▶ Temper scope expectations
  - ▶ Program focus on deficiencies
- ▶ Define grantee & homeowner roles, particularly in:
  - ▶ Selection of the contractor
  - ▶ Approval of work
- ▶ Explain the lien

# Working with Contractors

- ▶ Attracting enough contractors
  - ▶ Dealing with misinformation
- ▶ The “procurer” decision
- ▶ Contracts – 3 parties?
- ▶ Prompt payment
- ▶ Inspections
- ▶ Change orders

# Drawing Funds

- ▶ Completed by submitting an FSR in IGX
- ▶ Up to 25% of your Admin Funds can be requested without project costs, after that must be proportional
- ▶ Project costs must be broken down per address
- ▶ Invoices should clearly show goods have been paid for, and/or services have been rendered

# Monitoring—UGLG & MSHDA

- ▶ Desk reviews along the way
- ▶ Ongoing desk monitoring
  - ▶ Monthly meetings
  - ▶ Review Tier IIs
  - ▶ First file review i.e., Income Certification
- ▶ Risk Monitoring happens before closeout
  - ▶ Schedule monitoring
  - ▶ Monitoring Checklist

# Q & A



# Q&A

## Next Steps