



Safeguarding Tomorrow through Ongoing Risk Mitigation Revolving Loan Fund Program

Intended Use Plan

April 2024



FEMA

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I. Introduction

1.1. Status of the Michigan Safeguarding Tomorrow through On-going Risk Mitigation Revolving Loan Fund (Safeguarding Tomorrow RLF)

Provide information about the following items:

- *Summary of Intended Use Plan Purpose (IUP), including the fiscal year it covers.*
- *Entity agency responsible for emergency management and oversight and management of the fund program.*
- *Body in charge of financial management and administration of the fund (if financial administration is combined as described in Section 4 – Financial Management).*
- *Any other entity, agency or other party involved in managing the fund.*

Michigan intends to continue the Revolving Loan Fund (RLF) using the Safeguarding Tomorrow Revolving Loan Fund (STRLF) program. The program will be referred to as Michigan's Safeguarding Tomorrow Revolving Loan Fund (MiSTRLF). The Purpose of the MiSTRLF will be to provide a finance resource for communities to access much needed funding to implement hazard mitigation actions that make their communities more resilient from the impacts of natural disasters.

This IUP will provide the goals for the MiSTRLF, criteria for the distribution of loans, and process for management of the loan fund.

The IUP is effective for the Federal Fiscal Year (FY) 2024 STRLF Program. The Michigan State Police, Emergency Management and Homeland Security Division (MSP/EMHSD) will provide programmatic and financial administration of the RLF.

1.2. Updates for FY 2023 Safeguarding Tomorrow RLF

Note: If this is the first IUP prepared by the entity, this section is not necessary.

Provide information that addresses the following prompts:

- *Provide a summary of updates about the fund management that the entity has established.*
- *Provide any information about capacity-building efforts.*
- *Provide updates about the use(s) of funds since the last capitalization grant.*

- *Confirm if there have been any changes to the loan interest rates and explain the reason.*
- *Provide information on any challenges concerning staffing capacity and implementation of the program. Is the entity loan fund adequately staffed and resourced, and contains critical knowledge, to manage the operations and finances of the entity loan fund? If not, please describe staffing/resource/knowledge gaps.*
- *Please provide a narrative description of how the entity loan fund has promoted equity in the administration of funds and implementation of the program. In the narrative, consider how the entity loan fund works to:*
 - *Increase outreach;*
 - *Increase capacity-building work;*
 - *Increase trainings;*
 - *Increase meetings.*
- *Additionally, please incorporate supporting data from projects/activities that can reinforce the narrative on equity benefits.*

The MSP/EMHSD has worked to secure additional staffing needed as a resource for critical knowledge to implement the 2023 MiSTRLF Program. Steps have been taken to develop the methodology for financing and enhance the prioritization for projects.

Currently, no funds have been awarded for the 2023 MiSTRLF program, however, the MSP/EMHSD has made efforts to secure funds for the required match.

The entity match for FY 2023 will be deposited with the approval of the legislation that is required for the MSP/EMHSD to operate a revolving loan fund. The Michigan Legislature is expected to approve this funding no later than September 30, 2024, but we are hoping this will occur sooner than expected.

The entity match for FY 2024 will come from the Make It In Michigan Competitiveness Fund (MIIMCF). The MSP/EMHSD, in anticipation of the FY 2024 award, applied for the MIIMCF in hopes that an award from the program would supply the MSP/EMHSD's match for FY 2024. On May 1, 2024, the MSP/EMHSD was notified of the approved award providing \$5 million to support the match required by the STRLF for the current/ future application cycles. These funds, amount to be determined by the FY 2024 award, can be deposited as soon as the STRLF notice of award and award amount have been provided by FEMA.

Through development of the financial methodology, the terms including interest have been finalized and will be detailed within this IUP.

The MiSTRLF has shown some challenges as the MSP/EMHSD has worked to get it up and running. A hurdle that the MSP/EMHSD had to overcome was ensuring the correct legislation was in place to manage an RLF. Since this is the first RLF that the MSP/EMHSD has developed this

was certainly a knowledge gap that the MSP/EMHSD had to overcome. The legislation is in the works with high confidence that it will be approved, and the MSP/EMHSD has been focusing on refining the terms of the loan agreement as well as other programmatic criteria.

The RLF has promoted equity within its scoring prioritization system. The MSP/EMHSD included multiple questions within the loan recipient notice of interest to understand the benefiting population of the hazard mitigation project to advance and maximize positive impacts to any disadvantaged population.

II. Uses of the Michigan Safeguarding Tomorrow through On-going Risk Mitigation Revolving Loan Fund (Safeguarding Tomorrow RLF)

The following sections allow entities to describe how they plan to use the grant for approved activities for the Safeguarding Tomorrow RLF program. Entities should provide details in the specified sections that apply to how they plan to use funds in their loan fund.

2.1. Michigan Program Objectives

Describe the objectives of the entity loan fund.

- *How will the entity loan fund provide loans to local governments most in need of financing assistance?*
- *How will the entity loan fund support hazard mitigation projects and activities to reduce risks from natural hazards for homeowners, businesses, nonprofit organizations, and communities by decreasing the loss of life and property, the cost of insurance, and federal disaster payments?*

The objective of the RLF is to enable communities to implement hazard mitigation projects to decrease the loss of life and property, the cost of insurance, and federal disaster payments. The program will provide a financial resource for communities to implement hazard mitigation activities, particularly those that may not otherwise get implemented. The program will help communities overcome certain complexities preventing them from receiving Hazard Mitigation Assistance (HMA) grants (availability of cost-share funding, benefit-cost analysis, complicated program guidance, burdensome application process, etc.).

Michigan solicited interest in the program and sought project proposals from local governments and tribes over a period of eight weeks. In the solicitation process, the state requested project proposals for activities to reduce risks from natural hazards for homeowners, businesses, nonprofit organizations, and communities by decreasing the loss of life and property, the cost of insurance, and federal disaster payments.

For the FY 2024, MSP/EMHSD has received a total of 22 projects with a total project cost of \$84 million.

The MSP/EMHSD will open the Project Proposal list (PPL) for new HMA projects or for an announced declaration. This will allow the MSP/EMHSD to provide and prioritize the funding of the non-federal cost share and HMA programs. Potentially this will open the possibility of upwards of \$11 million in potential projects eligible for funding through MiSTRLF. This funding potential could increase further with additional HMA opportunities or disaster declarations.

To select which proposed projects will receive loans, Michigan will undertake a loan application process and evaluation/ranking process that considers the priorities of the Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM) Act, the Michigan Hazard Mitigation Plan, and the expected effectiveness of the projects in reducing risks from natural hazards.

2.2. Michigan Program Goals

2.2.1. Connection to Other Plans and Goals

Describe how the fund will be used in line with existing planning efforts, including the entity's Hazard Mitigation Plans, and other programs and efforts to reduce impacts of major disasters.

Planning is critical to mitigating disaster damages and making communities more resilient. Michigan has several plans that work together to move Michigan towards greater resiliency including the Michigan Emergency Management Plan, the MSP/EMHSD Strategic Plan, and the Michigan Statewide Emergency Management and Homeland Security Strategic Plan. The Michigan Hazard Mitigation Plan (MHMP) was approved on April 21, 2024, and is the plan that most directly impacts hazard mitigation measures undertaken by the state. The RLF will be implemented in a manner consistent with the goals and objectives of the MHMP.

2.2.2. Mitigation and Resiliency Goals

Provide information about plans to achieve mitigation and resiliency benefits per 42 U.S.C. Section 5135(g)(2)(B), such as:

- *Reducing future damage and loss associated with hazards.*
- *Reducing the number of severe repetitive loss structures and repetitive loss structures.*
- *Decreasing the number of insurance claims due to injuries resulting from major disasters or other natural hazards.*
- *Increasing community ratings under the National Flood Insurance Program's (NFIP) Community Rating System (CRS).*

Implementation of hazard mitigation actions has proven effective in reducing the loss of property and life resulting from natural disasters. Loans granted under the RLF will be used by communities to implement actions that will directly prevent disaster damages (loss of life and property), thereby making the community and the state more resilient. The benefits gained from

these efforts are intended to reduce disaster losses for communities, individuals, businesses, and private non-profits which will, in turn, prevent negative impacts on local and state economies from the drain of recovering from disaster recovery. These actions will also have the benefit of decreasing the number of insurance claims within the state.

Mitigating repetitive loss through acquisition, removal, relocation, or elevation is a high priority objective in the MHMP. No projects with this specific intention were proposed by Michigan communities for the FY 2024 MiSTRLF. However, as future opportunities arise through the RLF efforts will be made to reduce the number of repetitive loss structures in Michigan.

Mitigation actions to reduce flood risk and flood damage may result in increased CRS ratings for communities that participate. Under the CRS, there is an incentive for communities to do more than just regulate construction of new buildings to comply with minimum national standards. Under the CRS, flood insurance premiums are lowered to reflect community activities that reduce flood damage to existing buildings, manage development in areas not mapped by the NFIP, and protect new buildings beyond the minimum NFIP protection level. Certain actions implemented with loans from the RLF may increase a community's rating.

2.2.3. Short-Term Entity Safeguarding Tomorrow RLF Goals

Include a list of short-term goals that will guide decisions for the loan fund. Entities may define short-term goals according to their needs or local communities' needs. Short-term goals may include results that can be measured during the Period of Performance.

The following prompts may support creation of short-term goals:

- *How will the entity loan fund support recipients with completing projects?*
- *How will the entity loan fund efficiently disburse loans to recipients?*
- *How will the entity loan fund monitor and assess how the recipient executes the project?*
- *How will the entity work together with low-income geographic areas and underserved communities? How will the entity identify and arrange projects that achieve program priorities quickly and efficiently?*

INITIATE THE RLF

The primary short-term goal is to establish and initiate the RLF to provide a new funding opportunity for Michigan communities. With this new funding opportunity comes a significant

learning curve for the MSP/EMHSD to learn how to operate a revolving loan fund. While other revolving loan funds exist within state government, no revolving loan funds have ever been operated by the MSP. On behalf of Michigan communities, the MSP/EMHSD wants to take advantage of the unique new opportunity the MiSTRLF creates for communities to invest in resilience. In this initial year of the program, the goal of the MSP/EMHSD will be to sufficiently develop the program to issue initial loans, evaluate and to begin to incorporate additional program development needs, identify staffing and responsibilities for ensuring continued program development, and compliance with state and federal regulations.

Since filing our application for the 2023 STRLF, the MSP/EMHSD has met with other departments to understand how other revolving loan funds are managed within state government. The MSP/EMHSD has gained knowledge for developing and implementing the MiSTRLF.

STAFFING

Since the FY 2023 IUP Michigan has met its short-term goal to identify position responsibilities, develop position descriptions, and gain approval for staffing the RLF. A financial analyst position has been filled and is currently serving as the recognized resource for oversight of the MiSTRLF.

EFFICIENT DISTRIBUTION OF LOANS

One of the short-term goals of the RLF will be to efficiently disburse loans to recipients. Several actions will be taken prior to the award of a capitalization grant to achieve this goal, including developing and having communities complete a loan application form, ranking the projects that are applied for, and developing a loan agreement template. Once projects are ranked, the MSP/EMHSD will consult with the Federal Emergency Management Agency (FEMA) Regional Environmental Officer regarding the highest ranked projects to determine the needs for the environment and historic preservation review so that the process can be completed as quickly as possible.

DEVELOP ONGOING PROGRAM SUPPORT

While implementing the initial RLF, the MSP/EMHSD will be developing processes and materials necessary for continued success with the program in the future. This will include the development of:

- Monitoring and reporting process;
- Loan application and agreement documents;
- Standard operating procedures for financial and programmatic processes
- Outreach materials for annual PPL;
- Technical assistance and outreach processes.

2.2.4. Long-Term Entity Safeguarding Tomorrow RLF Goals

Include a list of long-term goals that will guide the decisions for the entity loan fund. Entities may define long-term goals according to their needs or the needs of local communities. Long-term goals may include results that can be measured during the Period of Performance, the advancement of construction and implementation in phasing, coordination with loan recipients, etc.

The following prompts may support creation of long-term goals:

- *How will the entity loan fund be managed to maintain a lasting source of funds?*
- *What financial metrics will be used to make sure the fund is well-managed and remains continuously effective?*
- *How will the entity loan fund continue to select projects effectively and clearly?*
- *How will the entity work with local communities to ensure a steady flow of eligible projects are submitted and ready for funding?*
- *How will the entity promote equity for low-income geographic areas and underserved communities throughout the life of the loan fund?*
- *How will the entity use current and future assets and choose local projects in need of funding?*
- *What methods will be in place to ensure capitalization grants and revolving income are used effectively?*
- *How will the entity ensure that it follows federal program requirements?*
- *How will the entity support recipients with following federal requirements?*

The MSP/EMHSD will manage the RLF program for long-term success in making Michigan more resilient to the impacts of natural disasters. The program will offer an additional tool for helping Michigan meet the goals of the MHMP: 1) Promote Life Safety, 2) Reduce Property Damage, 3) Build Alliances, and 4) Provide Leadership. The RLF program will be focused on assisting local governments and tribes to meet the goals established in their local hazard mitigation plans, which also support the goals of the MHMP. The most obvious metric for measuring success of the program is the completed implementation of hazard mitigation actions outlined in local hazard mitigation plans. Completing these hazard mitigation actions is the primary means by which local governments and tribes meet the goals of the local hazard mitigation plans. The fundamental goal of the MiSTRLF is to provide funding that results in completed hazard mitigation actions.

The most significant advantage to the MiSTRLF is the opportunity to create a perpetual source of funding. The MSP/EMHSD will establish the RLF as a means for providing a self-sustaining source of hazard mitigation funding. Sound financial management practices will be implemented to ensure the health of the fund over the long term. To achieve this, a combination of program audits, borrower monitoring, and program reporting will be implemented to minimize the possibility of waste or fraud. The MSP/EMHSD will proactively work with borrowers prior to loan disbursement and during project implementation to minimize the risk of loan default. Project monitoring and technical assistance will be used to ensure timely receipt of loan repayment. Interest earned on loans and principal repayment will be used to issue new loans. Efforts will be implemented to balance the frequency and magnitude of loans in a way that provides a consistent balance in the loan fund to have funds regularly available to issue new loans.

During the initial years of the program, the MSP/EMHSD will seek additional capitalization grants to support the fund and make a regular loan source available. On at least an annual basis, the MSP/EMSHD will solicit project proposals to create a consistent pipeline of eligible projects for loan funding. This can be opened more frequently if there are any new disaster declarations or if an HMA program presents an eligible opportunity. This will be achieved by undertaking program outreach activities including publishing information on the MSP/EMHSD website, issuing press releases, working with local emergency managers and municipal associations to promote the program, and working with legislative partners to reach their communities.

The RLF program will prioritize projects effectively and transparently. The MSP/EMSHD will work with the members of the Michigan Citizen-Community Emergency Response Coordinating Council (MCCERCC), and specifically with the Hazard Mitigation Committee of the council, to regularly review and adjust project prioritization metrics. Prioritization metrics will be transparently published in RLF outreach materials and on the MSP/EMHSD website and shared during the project proposal solicitation process.

Compliance with federal requirements for the RLF will be an important long-term goal of the program. The MSP/EMHSD will manage program compliance in a very similar manner to how manages compliance for all federal grants. This is achieved through:

- Audits – including state and federal audits for the capitalization grant as well as monitoring borrower’s single audits.
- Adding the MiSTRLF to the MSP/EMHSD Internal Control Evaluation document and conducting statutorily required reviews every two years.
- Regular program monitoring with borrowers and quarterly reporting to FEMA.
- Providing regular technical assistance to borrowers.

2.3. Michigan Program Priorities

Complete the following sections using information about the development of your PPL.

2.3.1. Increase Resilience and Reduce Risk

How will the entity loan fund support projects that increase resilience and reduce risk of harm to natural and built infrastructures? The following subsections offer potential actions to increase resilience and reduce risk.

The RLF will be used to issue loans to local governments and tribes to take action to mitigate damage from natural disasters, thereby increasing resilience in those communities and the state. In this first year of the program, the MSP/EMHSD conducted outreach throughout the state to inform stakeholders about program priorities, eligibility, and allowable activities. In future years, these efforts will be expanded upon as program development is refined in a continual effort to maximize the program benefits and increase resilience in the state. The RLF will serve as an additional tool for achieving the goals and objectives of local hazard mitigation plans and the MHMP.

Provide information that addresses the following prompts, as applicable:

2.3.1.1. HAZARD MITIGATION

- *How will the entity award loans to support hazard mitigation planning?*
- *How will the loan fund be used to support local hazard mitigation activities that reduce the impacts of natural hazards? Include which hazards the entity plans to address. Eligible natural hazards may include:*
 - *Drought;*
 - *Extreme heat;*
 - *Severe storms, including hurricanes, tornadoes, windstorms, cyclones, and severe winter storms;*
 - *Wildfires;*
 - *Earthquakes;*
 - *Flooding, including the construction, repair, or replacement of a nonfederal levee or other flood control structure;*
 - *Shoreline erosion;*
 - *High water levels; and*
 - *Storm surges.*

Funds from the RLF will be used primarily to issue loans to communities and tribes to implement projects that increase resilience and reduce risk of harm to natural and built infrastructure per 42 United States Code Section 5135(d)(3)(A). Michigan solicited interest in the program and sought project proposals from local governments and tribes over a period of eight weeks. Twenty-two project proposals were received and were used to generate a PPL. The twenty-two proposals from Michigan’s PPL are the pool of projects from which loans will be granted after completing the formal project application process and subsequently using the applications to prioritize loan selection.

Communities that submitted project proposals indicated that the primary hazard to be mitigated by the twenty-two projects are:

- Flooding – 13 projects;
- Severe storms – 7 projects;
- High water levels – 2 projects.

The twenty-two project proposals can be grouped into the following general hazard mitigation activity categories:

- Stormwater/sewer system improvements – 4 projects;
- Shoreline Stabilization – 2 projects;
- Generator installation – 1 project;
- Flood control – 3 projects;
- Hazard study – 2 projects;
- Early warning systems – 2 projects;
- Infrastructure Protective Measures – 4 projects;
- Other – 4 projects.

The MSP/EMHSD will always maintain the option of reopening and updating the project proposal list to support new initiatives and prioritize our HMA programs.

2.3.1.2. ZONING AND LAND USE PLANNING

If the loan fund will include projects for zoning and land-use planning, provide information that addresses the following prompt:

- *How will the entity loan fund be used to carry out zoning and land-use planning changes? The following bullets display approved zoning and land use activities.*
 - *Development and improvement of zoning and land-use codes to encourage low-impact development, resilient wildland–urban interface land management and development,*

natural infrastructure, green stormwater management, conservation areas next to floodplains, implementation of watershed or greenway master plans, and reconnection of floodplains.

- *Study and creation of agricultural risk compensation districts where there is a desire to remove or set-back levees protecting highly developed agricultural land to mitigate for flooding, allowing agricultural producers to receive compensation for assuming greater flood risk that would lessen flood exposure to population centers and areas with critical national infrastructure.*
- *Study and creation of land-use incentives that reward developers for using low impact development stormwater best management practices. Such practices could swap density increases in some areas for increased open space in other areas, improve catch basins to mitigate urban flooding, reward developers for including and augmenting natural infrastructure near building projects without reliance on increased sprawl, and reward developers for addressing wildfire ignition.*
- *Study and creation of an erosion response plan that accommodates river, lake, forest, plains, and ocean shoreline retreating or bluff stabilization due to increased flooding and disaster impacts.*

Michigan solicited interest in the program and sought project proposals from local governments and tribes over a period of eight weeks. Twenty-two project proposals were received and were used to generate a PPL. None of the projects on Michigan’s PPL are for zoning and land-use planning therefore Michigan will not issue loans for this type of project with the FY 2024 MiSTRLF Program. This section will be developed in detail if communities propose projects for zoning and land-use planning in future cycles of the PPL for the RLF.

2.3.1.3. BUILDING CODE ADOPTION AND ENFORCEMENT

If the fund will be used to support building code adoption and enforcement, provide information that addresses the following prompt:

- *How will the entity loan fund be used to support building code adoption and enforcement?*

Michigan solicited interest in the program and sought project proposals from local governments and tribes over a period of eight weeks. Twenty-two project proposals were received and were used to generate a PPL. None of the projects on Michigan’s PPL are building code adoption and enforcement therefore Michigan will not issue loans for this type of project with the FY 2024 MiSTRLF Program. However, the loan agreement that will be established between the MSP/EMHSD and the loan recipient will ensure that it supports and enforces building code adoption. All loan recipients are required to ensure that all permits and licenses for the local, state, and federal levels are provided for the activities defined within the approved scope of work.

Failure to meet this requirement could prevent any funding to the local government from the MiSTRLF.

2.3.1.4. COST SHARE

An entity loan fund may provide a loan to a local government for its nonfederal cost share requirement of a grant under one of FEMA’s HMA grant programs if the use follows all relevant program and legal requirements. An applicant should list any potential projects, where a loan may be used for this purpose, in the PPL submitted with its application. Federal funds that are used to meet the nonfederal cost-share requirement must meet the purpose and eligibility requirements of both the relevant HMA grant program and the STRLF program. Local governments interested in using loan funding as matching funds for a HMA grant should work with the applying entity to understand funding priorities, ensure the project is captured in the entity’s IUP and PPL, and to position loan funding with project and grant timelines. There is no limit to the percentage of grant funds that can be used for this purpose by loan recipients.

If it applies, provide information that addresses the following prompts:

- *How will the entity loan fund be used to support loan recipients paying the cost share for federal and nonfederal grants?*
- *What is(are) the name(s) of the other grant program(s) for which the loans will provide matching funds?*

The ability to utilize RLF funds to assist communities with meeting the match for FEMA HMA grant programs is one significant benefit of the STRLF. In some instances, the RLF may be used to issue loans to communities or tribes to meet the non-federal cost share for HMA grants. For the Michigan FY 2024 PPL, there are three proposals for projects that have been submitted to meet the non-federal cost share for an HMA grant. The projects will collaborate with Flood Mitigation Assistance (FMA), Building Resilient Infrastructure and Communities (BRIC), and Hazard Mitigation Grant Program (HMGP) in efforts to complete the proposed hazard mitigation project. Our prioritization system will prioritize projects that focus on a collaboration with an HMA program, and it is feasible that a loan could be issued for one of these proposals to meet a portion of their non-federal match. The MSP/EMHSD will continually be promoting the use of the MiSTRLF for HMA programs, new initiatives, and disaster declarations. If needed the MSP/EMHSD will open the project proposal list to support projects to promote funding through cost share opportunities. In future cycles of the MiSTRLF, Michigan will further promote using MiSTRLF funds to grant loans for all HMA grant programs (BRIC, FMA, HMGP, Pre-Disaster Mitigation).

2.3.2. Partnerships

How will the entity loan fund include partnerships between eligible entities to carry out a project or similar projects?

Note: This text can be similar to Question 17 in the grant application form but allows room for entities to fully describe their priorities in more detail and provide this information for public comment.

In FY 2024, Michigan projects receiving a loan from the MiSTRLF will not involve a partnership between multiple states or the state and a tribe. None of the twenty-two project proposals making up Michigan’s PPL are conducive to implementing a project in partnership with other entities. However, for future cycles of the MiSTRLF, Michigan will encourage projects that involve partnerships between multiple entities when opportunities arise.

Michigan will seek to learn from other entities that are implementing RLFs across the country. The state will actively seek best practices and lessons learned from other entities and look for opportunities to partner with other entities based on what we learn. We will seek to learn what types of projects other entities are implementing that may be new, effective, and innovative ways of mitigating hazards.

One opportunity for leveraging a partnership between two or more eligible entities would be the implementation of projects near Michigan’s borders with other states or tribal lands. This would include projects that could be implemented in one state with impacts in multiple states or projects that get implemented in multiple states for the purpose of addressing a hazard that is shared. When soliciting projects for annual updates of the PPL, Michigan’s call for projects documents will state that partnership projects will be one priority considered when selecting projects that will receive loans. Additionally, Michigan’s PPL Prioritization Methodology (Appendix C), will grant additional points for projects that will be implemented in partnership with other entities.

2.3.3. Regional Impacts

How will the entity loan fund support projects that consider regional impacts of hazards on river basins, river corridors, micro-watersheds, macro-watersheds, estuaries, lakes, bays, coastal regions, wildland-urban interfaces, and areas at risk of earthquakes, tsunamis, droughts, severe storms, and wildfires?

Note: This text can be similar to Question 18 in the grant application form but allows room for entities to fully describe their priorities in more detail and provide this information for public comment.

Natural hazards do not know jurisdictional boundaries so, when feasible, regional approaches to building resilience will be prioritized. During FY 2024, no projects on the PPL are regional in nature. In future cycles of the RLF, the MSP/EMHSD will promote and look for opportunities to implement projects that are regional in nature in instances when that approach provides the most benefit for resiliency. Michigan will prioritize projects with regional benefits by granting additional points in the PPL Prioritization Methodology (Appendix C) for projects that demonstrate they will provide regional benefits.

2.3.4. Major Economic Sectors and National Infrastructure

How will the loan fund help projects that make key economic sectors and critical national infrastructure more resilient? This includes areas like ports, power and water facilities, essential bridges and waterways for interstate commerce and global commodity supply chain assets located within the entity's jurisdiction. Reference [FEMA's Community Lifelines Resources](#) to inform the content.

Note: This text can be similar to Question 19 in the grant application form but allows room for entities to fully describe their priorities in more detail and provide this information for public comment.

Michigan intends to utilize the MiSTRLF to support projects that increase the resilience of major economic sectors or critical national infrastructure, including ports, global commodity supply chain assets (located within Michigan or within the jurisdiction of local governments, insular areas, and Indian tribal governments), power, and water production and distribution centers, and bridges and waterways essential to interstate commerce in compliance with 42 U.S.C. §5135(d)(3)(D). For FY 2024, Michigan's PPL contains several projects that would address this priority of the MiSTRLF. Specifically, there are several projects for protecting power distribution and water treatment systems. In future cycles of the MiSTRLF, Michigan will promote activities that improve the resilience of major economic sectors.

III. Criteria and Method for Distribution of Funds

3.1. Loan Management Information

Provide the following information:

- *Does the loan fund currently contain funds that are available to be disbursed as loans?*
- *What is the loan application process for financial assistance from the loan fund?*
- *How will the entity use financial planning to ensure funding is available in the future?*
- *What are the short-, medium-, and long-term financial projections for the fund?*

Note: If available, provide a detailed loan application process and/or financial planning method and supporting materials in Appendix A; include a reference in your explanation above.

Financial Assistance Available

For FY 2023, Michigan was successful in receiving an award, it totaled \$5.1 million. No funds have been disbursed to sub-applicants yet. With the refinement of our loan process and approval of the required legislation, Michigan will proceed with selection and distribution of loan funds.

Application Process

Upon notice of award, the MSP/EMHSD will develop informational outreach materials for the communities who previously submitted projects for the Michigan PPL. Along with the information, the MSP/EMHSD will send a link to an online application. Communities will be given 30 days to complete and submit their application(s). With the goal of reducing complexity for hazard mitigation funding, the application process will be as simplified and streamlined as possible so a 30-day application period should be adequate. Applications will seek only basic borrower information (like project title, community information, project manager contact information, and necessary financial information), and project information adequate for evaluation and project selection ranking.

Financial Planning

While processes for the revolving loan program in Michigan continue to be developed, at a minimum, an applicant will be required to submit the following at the time of application: a Project Plan that will detail its strategy, goals, and implementation plans for the funds being received; copies of the previous three years audits for the applicant; assurance and supporting

documentation that the applicant has the necessary means to repay the loan principal and interest as agreed in any promissory notes and loan agreements between the state of Michigan and the applicant. Applicant agrees to annual review of audit reports and financial reports for continued assurance of ability to repay loan principal and interest throughout the term of the loan.

Short, Medium, and Long-Term Financial Projections

The MSP/EMHSD projects a loan fund of \$5,610,000 in FY 2024 based on an awarded grant of \$5.1 million and a \$510,000 state match. The MSP/EMHSD will make \$5,508,000 available to applicants in the first year. The remaining \$102,000, or two percent of the capitalization grant, will be used to support MSP/EMHSD loan fund administration costs. It is not expected that the MSP/EMHSD will receive any principal or interest repayments until the fifth year of the program.

The MSP/EMHSD anticipates an additional \$40,410,000 in FY 2024 grant funding to support the second year of the program. The required match by the State would be \$4,490,000. This would make available \$44,490,000 to applicants, less funds used to support loan fund administration costs, assuming state match requirements and allowable Management and Administrative (M&A) costs remain consistent with the first year of the program \$808,200, or two percent of the capitalization grant, will be used to support the MSP/EMHSD loan fund administration costs. As stated above, no principal or interest repayments are expected in the second year of the program.

By the fifth year of the program, the MSP/EMHSD projects the first principal and loan repayments will be received, up to approximately \$280,000. Principal and interest repayments will increase each year thereafter as more funded projects are completed and begin repayment. However, loan repayments do have the potential to occur prior to the 5-year mark as determined by the executed loan agreement.

3.2. Criteria and Method for Loan Distribution

Provide the following information:

- What are the criteria and methods for disbursing funds to loan recipients? The following prompts may support defining criteria and methods.
 - *How will the entity determine if loan applicants have the required skills and resources to meet requirements?*
 - *How will the entity loan fund target funding for low-income geographic areas and underserved communities? How will interest rates vary?*
 - *How will the entity determine different types of assistance and interest rates for loan applicants based on their needs?*

Note: If applicable, provide a complete loan distribution procedure in Appendix B.

Processes and procedures for loan distribution are still being refined for this revolving loan fund. Upon award of the capitalization grant, the state will allocate the required ten percent cost share to the MSP/EMHSD in a specific appropriation that will only house those funds. Once an applicant has met all criteria for receiving a loan, promissory notes and loan agreements will be drafted and executed by both the state and the applicant. Once all contractual documentation has been executed, loan recipients will begin the draw period. During this time the loan recipient will provide draw requests with supporting documentation and funds will be disbursed according to the agreement by the state through electronic funds transfer.

The MSP/EMHSD will work with low-income geographic areas and underserved communities who are awarded loans to complete their hazard mitigation project to develop loan terms that will not burden the loan recipient. The MSP/EMHSD will provide MiSTRLF funds to loan recipients of these communities at the maximum interest rate of .5%. The MSP/EMHSD will request financial documentation to support the source of approved repayment and ensure that the term of the loan will be agreeable to the loan recipient.

3.2.1. Creating a PPL

Entities are required to provide a list of project proposals that include local government hazard mitigation projects per 42 U.S.C. Section 5135(b)(1)(A). These lists should be prioritized to identify how the entity will use the capitalization grant funds.

Provide confirmation that the entity submitted a PPL with the grant application.

Note: FEMA offers a PPL template spreadsheet to support the entity with drafting.

3.2.1.1. PRIORITIZATION METHODOLOGY

Provide a summary of the methodology the entity used to prioritize projects in the PPL. The FEMA recommends creating a ranking system to determine the priority order of projects to be funded. Categories for ranking may include, but are not limited to:

- Duration of a project (multi-year vs. annual);
- Population served;
- Projects aligned with the statutory objectives;
- Projects aligned with the Hazard Mitigation Plan;
- Readiness to proceed; and
- Projects that promote equity objectives.

Note: Provide a complete ranking system for prioritization in Appendix C.

As part of the application process for the FY 2024 MiSTRLF, Michigan solicited interest in the program and sought project proposals from local governments and tribes over a period of eight weeks. To capture the required information for project proposals, the MSP/EMHSD developed an online form that mirrored FEMA’s PPL template. The effort resulted in a PPL that will be submitted with Michigan’s FY 2024 STRLF grant application. If Michigan is awarded a capitalization grant, a project proposal from the PPL will be prioritized to determine which project(s) will receive a loan during the first RLF cycle.

To prioritize the projects, the MSP/EMHSD developed the PPL prioritization methodology scoring matrix that can be found in Appendix C. Categories used for ranking the applications can be found in the appendix. Michigan will invite all jurisdictions that submitted proposals to complete an application for the RLF. The application will contain questions that will provide the information needed to issue a prioritization score for each application (see questions in Appendix C). Once applications are received, the members of the Hazard Mitigation Committee of the MCCERCC will be asked to review the applications and provide scores for each application utilizing a spreadsheet scoring form that will be developed. The scores from all committee members will then be totaled and project proposals will be placed in order of highest score to lowest score. The highest scoring applications will be eligible to receive loans up to the amount they requested until the total of all loans reaches the total available funds in the RLF. If additional funds are available consideration will go to projects that are higher scoring but also fit the remaining funds available through the MiSTRLF.

3.2.1.2. TIE-BREAKING PROCEDURE

- Provide information about how the entity will determine which project to select if the projects have equal scores.

In the event that two project proposals receive the same score, the proposal for the community with the higher Social Vulnerability Index score will be chosen.

IV. Financial Management

4.1. Financial Status of the Michigan Safeguarding Tomorrow RLF

If the entity intends to combine the financial administration of the loan fund with the financial administration of another revolving loan fund established by the entity and not associated with the STRLF program, provide the following:

- *Provide the name of the agency handling the program's finances and explain the entity's role in managing the financial side of the program.*
- *Describe how the entity will separately account for the following: the capitalization grant, entity share, repayment of loans, and interest earned on amounts in the entity loan funds.*
- *Describe how the emergency management agency will keep control over assistance priorities and oversight activities.*
- *Provide the name of any other revolving loan fund(s) with that will be combined with the entity's loan fund under this program for the purpose of financial management.*
- *How will the entity loan fund be used to pay the administrative costs for starting the loan fund and operating it, as per 42 U.S.C. Section 5135(f)(6)(A)?*
- *What percentage of funding for this FY is expected to be used for administrative costs?*

The MSP/EMHSD will manage the MiSTRLF internally. The funds for the MiSTRLF will be segregated into its sole account. Any interest earned from the funds within the account will be used to further fund hazard mitigation projects.

No other fund will be comingled within the account. All payments of principal and interest from repayments of loans will be used to further fund additional hazard mitigation projects, although this will take five years to see the funds recycled and awarded for new projects.

The MSP/EMHSD will use \$898,000, or two percent of the capitalization grant awarded from FY 2024, as administrative funds to provide staff to administer the program. These funds will provide the MSP/EMHSD the funds to continue to staff a financial analyst to manage the program.

4.1.1 Address the Financial Status of the Entity Loan Fund

This information is required for the previous and current FYs if the information is available. For new applicants, this information is NOT required. The FEMA suggests making a table using the following prompts:

4.1.1.1. FOR THE PREVIOUS FISCAL YEAR:

- *What are the sources of the funds in the entity loan fund? This includes the capitalization grant, entity match, bonds, loan repayments, interest repayments, and investment earnings.*
- *How are the funds in the entity loan fund used? This covers administrative expenses, transfers, capital projects, and bond debt service.*
- *If it applies, include details about any loan refinancing activity.*

At the time of Application, the Capitalization grant for FY 2023 has not yet been received and entity match funds have not been deposited. Michigan's FY23 matching funds for the RLF will come from the state's general fund. A state FY 2024 budget amendment request has been submitted to the Michigan Legislature and is working its way through the legislative approval process. Match funds for Michigan's FY 2023 STRLF federal award will be deposited as soon as the legislation has been approved.

No funds have been distributed yet for the FY 2023 MiSTRLF, nor has Michigan established a RLF as of the date of this application. This section does not apply as there have been no activities that have taken place within the entity loan fund for the FY 2023. However, in future years this section of the IUP will be completed to identify the sources within the loan identify fund, how the funds are used, and details about any loan refinancing activity.

4.1.1.2. FOR THE CURRENT FY:

- *Where are the sources of the funds in the entity loan fund? This includes the capitalization grant, entity match, bonds, loan repayments, interest repayments, and investment earnings.*
- *How are the funds in the entity loan fund used? This covers administrative expenses, transfers, capital projects, and bond debt service. If it applies, include details about any loan refinancing activity.*

For Michigan's FY 2024 STRLF application, a state grant has been approved from the Make it in Michigan Competitiveness (MIIMC) through the state's Infrastructure Office. If Michigan is successful in receiving a federal award for the FY 2024 STRLF, state funds from the MIIMC will be deposited to the MiSTRLF entity account upon notice of award.

Michigan has not established a RLF as of the date of this application. This section does not apply as there have been no activities that have taken place within the entity loan fund for the FY

2023 or FY 2024. However, in future years this section of the IUP will be completed to identify the sources within the loan identify fund, how the funds are used, and details about any loan refinancing activity.

Table 2: Example Sources Table

Sources	Previous FY	Current FY
FEMA Capitalization Grant	\$0	\$0
Entity Match	\$0	\$0
Interest Earned	\$0	\$0
Total:	\$0	\$0

Table 3: Example Uses Table

Uses	Previous FY	Current FY
Loan Agreements	\$0	\$0
Administrative Costs	\$0	\$0
Total:	\$0	\$0

4.2. Financial Terms of Loans

Financial terms of loans have limits set by statute. The requirements are as follows:

- *Interest rates cannot exceed one percent but can be lower.*
- *Annual principal and interest payments from the borrower must start no later than one year after the project is completed. The entity has the option to begin payments earlier.*
- *Standard loans must be repaid within 20 years of project completion. Loans to low-income geographic areas must be repaid within 30 years of project completion. This is the longest period allowed for repayment; entities can choose to have borrowers fully repay the loans earlier than this timeframe.*
- *All loans should be repaid before the project’s design life ends.*
- *Borrowers must identify a specific revenue source to repay the loan.*
- *Borrowers must have a FEMA approved Hazard Mitigation Plan.*

- *All payments made by borrowers for both principal and interest must be deposited into the entity loan fund.*

Entities should also describe if they intend to collect fees, how they will be collected, where they will be deposited, and its intended use.

The MSP/EMHSD intends to vary interest rates based on the requested term length, and if the community is defined as low-income or underserved. The MSP/EMHSD will apply a maximum interest rate of one percent for sub-applicants that are not considered low-income or underserved, and a maximum interest rate of .5% for sub-applicants that are.

Once a loan recipient is awarded a loan, the loan application and all documents have been satisfied the loan recipient will have a draw period of up to five years or until project completion to utilize the funds awarded. Based on situational factors, and if approved by the MSP/EMHSD, the draw period can be extended if the project has not been completed by the end of the five-year period.

Once the draw period closes the sub-applicant will enter the repayment period for the remaining term of the MiSTRLF. Each agreement will ensure that the loan term will not exceed the allowed repayment terms as defined by the STORM Act.

The MSP/EMHSD will deduct \$898,000, or two percent of the capitalization grant, as administrative funds to provide staff to administer the program. Staff will provide technical assistance to local governments and tribes in the implementation of projects, administration of their loans, and applying for future cycles of the MiSTRLF. The administration set-aside will be used to pay salaries and associated expenses of new and existing personnel devoting time to the administration of the program.

The MSP/EMHSD will apply a .8% closing cost to each loan provided. The closing cost will be capitalized on the loan provided to the sub-applicant. These funds will provide the support needed to continue the development and growth of the MiSTRLF program. Use could include, but is not limited to operational expertise, public engagement services, community education, staffing needs, and any other supporting measure to ensure the continued success of the program.

The loan recipient will be subject to a reasonable late fee of .05% of the loan balance for each month the recipient is late. This will account for additional expenses incurred for the process of repayment collection and the opportunity cost for the MSP/EMHSD to provide those funds to another potential loan recipient for additional hazard mitigation projects.

4.2.1. Standard Loans

Provide information on standard loan terms using the loan term limits in 4.2 and the following prompts:

- *How will the fund set terms for standard loans?*
- *What will interest rates be?*
- *What is the expected repayment timeline?*
- *How will the entity confirm that borrowers have or will establish a dedicated source of revenue?*

The goal of Michigan's revolving loan program is to ensure long-term financial viability of the fund. Loans are anticipated to have a maximum of a one percent interest rate, less for low-income communities. Repayment terms will be identified during the application process and will aim to be as short as possible and within the approved budgets of the loan recipients to avoid causing undue financial hardship. Loan recipients will have to provide financial documents showing the ability to repay and documented approval to use the identified funds for repayment of the loan. Our application form will address the dedicated source of revenue the loan recipient will be establishing for the repayment of the RLF. Each loan recipient will be required to provide the current years approved budget and a financial projection demonstrating revenue supporting the RLF repayment including a repayment schedule. These documents will be provided during the application phase and if unable to provide sufficient evidence the loan will not be awarded and the MSP/EMHSD will have the right to choose another applicant to provide funding to.

4.2.2. Loans for Low-Income Geographic Areas or Underserved Communities

Provide information about loan terms for communities that are categorized as low-income geographic areas or underserved using the loan term limits in 4.2 and the following prompts:

- *How will the entity revolving loan fund set terms for loans to low-income geographic areas or underserved communities?*
- *What will interest rates be?*
- *What is the expected repayment timeline?*
- *How will the entity check that borrowers have or will identify a dedicated revenue source for repayment?*

Again, the goal of Michigan's revolving loan program is to ensure long-term financial viability of the fund. Loans for low-income geographic areas or underserved communities will have a lower interest rate of .5%. Although a short term will be encouraged, low-income and underserved communities will have the ability to choose a 30-year term to ensure that the community is not burdened by the program. The MSP/EMHSD will have the same requirements for all loan recipients when it comes to providing financial support and documented approval for funds for repayment.

4.3. Loan Disbursements

Provide information on the following prompts:

- *How much of the fund does the entity plan to use as loans for FY (YEAR)?*
- *What is the funds utilization goal?*
 - *The utilization goal measures how loan funds effectively disburse loans. The calculation is cumulative assets divided by cumulative funds available for projects. Entities establish a target measure that best aligns with their specific needs. The FEMA suggests aiming for a pace level around or above 100%. If entities are falling behind or experiencing a decline, they should review loan policies, procedures, and outreach. Pace levels exceeding 100% typically indicate advanced loan commitment.*
- *Has the entity worked with local governments to identify possible revenue sources to support projects and activities that do not make money, per 42 U.S.C. Section 5135(f)(1)(A)(iii)?*

Michigan was successful in receiving an award for \$5.1 million. The MSP/EMHSD plans to utilize the full balance, less the funds removed for administration purposes, for proposed hazard mitigation projects. Loans from these funds will not be disbursed until FY 2024. Once the FY 2023 grant funds are received, project selection (from the PPL) will be completed, loan recipients will be notified, loan applications will be reviewed, and loan recipients will sign the loan agreement. Once signed the MSP/EMHSD will work with the loan recipient through the Environmental and Historic Preservation (EHP) reviews, if required. The EHP reviews can take months to complete and gain federal approval, the process is not likely to be complete prior to the end of FY 2024. However, through this application process, the MSP/EMHSD plans to award all loans prior to the end of FY 2024.

V. Entity Program Management

5.1. Technical Assistance

If applicable, provide information that addresses the following prompts:

- *How will the entity loan fund be used to provide technical assistance to recipients, per 42 U.S.C. Section 5135(f)(6)(B)?*
- *What percentage of the FY's funding is expected to be used for technical assistance?*

The MSP/EMHSD does not anticipate expending a portion of the capitalization grant, beyond the two percent administrative costs, to providing technical assistance for FY 2024. The administrative costs will provide the funding for the MSP Financial Analyst role whose responsibility would be to provide any technical assistance required by the loan recipients during their participation in the MiSTRLF program. Technical assistance will be implemented through one-on-one phone calls, meetings, and emails between the MSP Financial analyst and loan applicants/recipients.

5.2. Local Capacity Development

Provide information on how the loan fund is helping local communities by building their capacity.

For the FY 2024 STRLF, Michigan does not intend to dedicate a specific portion of a federal award to capacity development efforts. In subsequent years of the program, Michigan will coordinate with local governments regarding capacity building needs and consider using MiSTRLF funds for capacity building activities. Loans under the RLF will inherently assist communities in building capacity for hazard mitigation by providing a source of project funding.

5.3. Environmental and Historic Preservation (EHP) Compliance

Describe how the entity plans to follow EHP compliance procedures. This includes how proposed projects will be pre-screened and which activity types will be submitted to FEMA for review.

Note: FEMA will provide entities with guidance and materials to complete this section.

The MSP/EMHSD will manage EHP compliance for the RLF. This process will be implemented in the same way as it is for Michigan HMA grants. All projects that involve construction and/or changes to the physical environment will undergo EHP review. The FEMA, as the federal awarding agency, has responsibility for EHP approval and the MSP/EMHSD will work in close coordination with the FEMA Regional office. As soon as application ranking and selection are

complete, the MSP/EMHSD will coordinate with FEMA Region V regarding necessary EHP review steps. The MSP/EMHSD will coordinate with requisite state agencies for environmental review while FEMA will coordinate with federal agencies. By agreement with the Michigan State Historic Preservation Officer, FEMA completes consultation reviews for historic preservation and archeological review.

As part of a loan agreement, the MSP/EMHSD will provide borrowers with FEMA environmental approval documents such as a Record of Environmental Consideration or Finding of No Significant Impact. These documents will outline implementation conditions the borrower must follow while implementing the project. The MSP/EMHSD will monitor the EHP requirements along with regular project monitoring. As part of the project closeout, borrowers will provide copies of required permits and certify that they met all EHP conditions.

5.4. Public Meetings and Comment Activities

Provide information on the following items:

- *How did the entity include public input, consultations with government agencies, and feedback from interested groups before submitting the annual IUP?*
- *How has the entity used information from public meetings and comment activities to assist in carrying out the loan fund?*
- *Describe the public notice process and actions taken to address public comments for project proposals.*

The MSP/EMHSD has published the draft of the plan on our website at <https://www.michigan.gov/msp/divisions/emhsd>. We will invite public review and comment for a period of at least one week. We will notify the Michigan emergency management community and other potentially interested stakeholders of the document's publishing and input opportunity via email. Those wishing to provide comments will be asked to email comments to the Michigan hazard mitigation mailbox at MSP-EMHSD-Hazard-Mitigation-Grants@michigan.gov. The MSP/EMHSD staff will evaluate comments and incorporate appropriate changes into the document.

Michigan solicited interest in the program and sought project proposals from local governments and tribes over a period of eight weeks. The MSP/EMHSD drafted an information bulletin outlining the parameters of the program and asked communities to submit project proposals to identify their interest in the program. An online form was developed for communities to submit project proposals. The information bulletin was publicized in several ways to solicit interest and responses for the program, including:

- Publishing the Information Bulletin on the MSP/EMSHD website on February 23, 2024.

- Emailing program information, information bulletin, and request to share with local governments and tribes to 160+ local emergency management contacts on February 29, 2024.
- Emailing program information and information bulletin to all Michigan tribes on March 1, 2024.
- Emailing program information, information bulletin, and request to share with local governments to 25 associations on March 1, 2024.
 1. Michigan Association of Regions;
 2. Michigan Association of Counties;
 3. Michigan Municipal League;
 4. Michigan Townships Association;
 5. Michigan Association of County Drain Commissioners;
 6. County Road Association of Michigan;
 7. American Institute of Architects of Michigan;
 8. Code Officials Conference of Michigan;
 9. Home Builders Association of Michigan;
 10. Michigan Water Environment Association;
 11. American Public Works Association – Michigan Chapter;
 12. American Council of Engineering Companies, Michigan Division;
 13. American Society of Civil Engineers -Michigan Section;
 14. Michigan Infrastructure and Transportation Association;
- Issuing a press release about the program and how to find information on March 11, 2024.
- Interview discussing program with Michigan Public Radio on March 14, 2024.
- Reach out to correct the report completed on MiSTRLF with Michigan Public NPR on March 19, 2024.
- Communication to all prior year applicants gauging interest in completing hazard mitigation projects on March 25, 2024.
- Meeting with Environment, Great Lakes, and Energy (EGLE) to review programmatic measures for administering a revolving loan fund on March 28, 2024.
- Michigan Association of County Drain Commissioners on March 28, 2024.
- MiSTRLF Progress update and request for community outreach to Michigan Executive Office of the Governor on April 2, 2024.

VI. Audits and Reporting

6.1 Compliance with Federal Reporting Requirements

To ensure clarity, all program materials are posted on our website (<https://www.michigan.gov/msp/divisions/emhsd>). We will use the services of a *Michigan Office of the Auditor General* to run an independent audit to ensure finances are correct for the one and two-year audits.

The MSP/EMHSD commits to entering project and benefits data into the FEMA Non-Disaster Grants system (ND Grants) and financial data in the Payment and Reporting System (PARS) to support the evaluation of the MiSTRLF program. Among other requirements, FEMA will use the data from the audits and reporting to assess how the loan funds:

- Efficiently administer the fund.
- Provide project benefits to local communities.
- Promote equity.

The MSP/EMHSD will enter project benefits data into ND Grants by the end of the quarter in which the capitalization grant is received. After the Period of Performance, we will enter required project benefits data into FEMA’s ND Grants by the end of the FY for this IUP.

6.2 Publication of Information

Provide information about the frequency and location of the Publication of Information requirement. Per 42 U.S.C. Section 5135(h)(2), the entity should publish and periodically update all projects receiving funding from the loan fund. This includes project location, type and amount of assistance provided from the loan fund, the expected funding schedule, and the expected date of project completion.

Note: The recipient should publish information publicly on a preferred platform and at times most suitable to the recipient during, and after, the Period of Performance.

The RLF will publish and periodically update information about all projects receiving funding. Information will be published upon issuance of each loan and be updated as projects are completed. Information will be published on the MSP/EMHSD website at <https://www.michigan.gov/msp/divisions/emhsd> and will include:

- (A) The location of the project;
- (B) The type and amount of assistance provided from the entity loan fund;

(C) The expected funding schedule; and

(D) The anticipated date of completion of the project.

6.3 Loan Recipient Auditing and Reporting

Provide information on how the entity loan fund will monitor and evaluate the performance of loan recipients, to ensure they follow fund usage guidelines, if it applies.

The MiSTRLF program will comply with all federal monitoring, reporting, and audit requirements. The MSP/EMHSD will monitor and evaluate the performance of loan recipients in their use of funds through quarterly reporting, technical assistance calls, and periodic site visits. Borrowers shall comply with applicable financial and administrative requirements set forth in the current edition of 2 CFR, Part 200 of the Code of Federal Regulations (CFR), Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards located at <http://www.ecfr.gov>.

Additional Resources

- <https://www.climate.gov/>.
- *National Oceanic and Atmospheric Administration’s (NOAA’s) Sea Level Rise Viewer - <https://coast.noaa.gov/slr/#/layer/slr>.*
- *U.S. Climate Resilience Toolkit - <https://toolkit.climate.gov/#climate-explorer>.*
- *National Risk Index for Natural Hazards - <https://www.fema.gov/flood-maps/products-tools/national-risk-index> - for information on place-based vulnerabilities and current and historical natural hazard exposure.*
- <https://www.drought.gov/>.
- <https://heat.gov/>.
- <https://wildfirerisk.org/>.
- *National Climate Assessment - <https://nca2018.globalchange.gov/>.*
- *Climate Mapping for Resilience and Adaptation - <https://resilience.climate.gov/>.*
- [CJIS Online.](#)

Appendix A

A.1. Loan Application Process

Upon notice of award, the MSP/EMHSD will develop informational outreach for the communities who submitted projects for the Michigan PPL. Along with the information, the MSP/EMHSD will send a link to an online application. Communities will be given 90 days to complete and submit their application(s). Failure to meet this timeframe will forfeit the opportunity and MSP/EMHSD will select another loan recipient to proceed with.

As of the date of this application the loan process is still being developed, this will be updated with the next annual update of the IUP. We anticipate issuing loans by the end of the first quarter of FY 2025

A.2. Financial Planning Methodology

To participate in the STRLF the MSP/EMHSD will have to contribute a ten percent match of the award. The MSP/EMHSD has applied to the Making It In Michigan Competitiveness Fund and has been awarded \$5 million to utilize for the match funds required by the STRLF program. These funds will provide the match for our FY 2024 cycle of the STRLF. The required match and award funds, once received, will be managed separately and not comingled with other program funds.

The MSP/EMHSD will use the following process to allocate the funds to eligible loan recipients:

- Obtain Notice of Interest forms from communities that are interested in completing hazard mitigation projects.
- Determine the amount of financing needed by loan recipients.
- Allocate dollars to loan recipients with respect to the prioritization mythology within Appendix C.
- If additional funds are available apply them to higher rated projects that meet the remaining available funds as needed to ensure the full fund is utilized.
- Collaboratively determine loan terms based on the loan recipient's application.
- Redistribute repaid funds in future years to continue hazard mitigation efforts within the State of Michigan.

The MSP/EMHSD will ensure that all principal and interest payments received from loan recipients will return to the loan account to ensure continuation of the MiSTRLF.

The MSP/EMHSD loan methodology defined in Appendix B will also account for any interest earned on funds drawn by the loan recipient, this interest will be held to the same terms of the loan agreement and will be viewed as loan funds. If unused the loan recipient will be required to return these funds to the MSP/EMHSD. The MSP/EMHSD will include and redistribute these funds in the effort to continue hazard mitigation efforts and the program for years to come.

The MSP/EMHSD has implemented both a closing cost and late fee within its loan agreement to eligible loan recipients. These fees will be collected and reserved in a separate account from the loan fund to provide and support the programmatic costs of managing the MiSTRLF year over year.

As of the date of application the loan process including loan collectability is still being developed, the financial department has an accounts receivable process that they already have implemented and through collaboration we will apply it to our working RLF. As the loan process is further developed our financial department will further elaborate on the accounts receivable process to ensure we can apply it to our RLF.

Appendix B

B.1. Loan Distribution Methodology

Each construction-based loan will consist of a draw period of up to five years, allowing the loan recipient to provide draw requests to the MSP/EMHSD for approval and distribution of the loan funds. Draw requests will need to be supported by a detailed invoice for the work being completed. The invoice will need to be approved by the MSP/EMHSD to show that it is only completing work consistent with the scope of work agreed to per the loan agreement. The MSP/EMHSD reserves the right to deem a cost as ineligible if it does not support the scope of work approved for the project.

During the draw period, the loan recipient will be required to secure a segregated account for the deposit of any loan funds. This account is not able to commingle with any other assets held by the loan recipient. If a draw is not used immediately by the loan recipient, they are to deposit it within the segregated account. Any accrued interest from this account will be subject to the terms of the loan agreement and only allowed to be used towards approved costs. If unused the interest will need to be returned to the MSP/EMHSD.

If the project will not be completed within the five-year allowed draw period, with written notice by the loan recipient, an extension can be requested and approved by the MSP/EMHSD. If approved the draw period can be extended within the constraints of the STORM Act. However, this does not extend the interest free period granted to the loan recipient. Once five years have passed from the date of the loan agreement interest will start accruing.

Once the draw period closes the loan recipient will be requested to provide documentation of all used funds for the project with receipts and asset statements, any unused funds will be returned to the MSP/EMHSD. The loan recipient will then be provided an updated amortization schedule to reflect the adjustment.

With the close of the draw period, the loan recipient's repayment period will commence after six months. The repayment period will be subject to the terms of the loan agreement which will be designed in collaboration with the loan recipient in regard to the frequency of principal and interest payments as well as the full term of the loan. Upon final repayment of the loan, the loan recipient will receive a letter of satisfaction from the MSP/EMHSD to confirm the loan is paid in full and remind the loan recipient of the record keeping expectations held by the MSP/EMHSD.

If a loan purpose is for a non-federal cost match for an approved HMA program, study completion, design and schematics, or creation of a mitigation plan the loan will provide a lump sum distribution and hold a shorter term for repayment by the loan recipient.

Appendix C

C.1. Project Proposal List (PPL) Prioritization Methodology

Criteria	Description	Score	Associated Application Questions
Will the project mitigate the impacts of natural hazards?	<p>From Pub. L No. 116-284 § 3418 S.205.f.3 – a participating entity may use funds in the entity loan fund to provide financial assistance for projects or activities that mitigate the impacts of natural hazards including:</p> <ul style="list-style-type: none"> • Drought. • Prolonged episodes of intense heat. • Severe storms, including hurricanes, tornados, windstorms, cyclones, and severe winter storms. • Wildfires. • Earthquakes. • Flooding, including the construction, repair, or replacement of a non-Federal levee or other flood control structure, provided that the Administrator, in consultation with the Army Corps of Engineers (if appropriate), requires an eligible entity to determine that such levee or structure is designed, constructed, and maintained in accordance with sound engineering practices and standards equivalent to the purpose for which such levee or structure is intended: • Shoreline erosion. • High water levels. • Storm surges. 	<p>Yes for 2 or more hazards = 5</p> <p>Yes for 1 hazard = 3</p> <p>No = 0</p>	<p>Describe the intent of the project and how it will reduce community risk and increase overall resilience?</p> <p>Which type of natural hazard(s) will the project prevent damages from?</p> <ul style="list-style-type: none"> • Drought. • Prolonged episodes of intense heat. • Severe storms, including hurricanes, tornados, windstorms, cyclones, and severe winter storms. • Wildfires. • Earthquakes. • Flooding, including the construction, repair, or replacement of a non-Federal levee or other flood control structure, provided that the Administrator, in consultation with the Army Corps of Engineers (if appropriate), requires an eligible entity to determine that such levee or structure is designed, constructed, and maintained in accordance with sound engineering practices and standards equivalent to the purpose for which such levee or structure is intended; • Shoreline erosion. • High water levels. • Storm surges.

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<p>Does the project reduce disaster risks for homeowners, businesses, nonprofit organizations, and communities?</p>	<p>From Pub. L No. 116-284 § 3418 S.205.a - funding assistance to local governments to carry out eligible projects to reduce disaster risks for homeowners, businesses, nonprofit organizations, and communities in order to decrease:</p> <ul style="list-style-type: none"> • The loss of life and property; • The cost of insurance; and • Federal disaster payments. 	<p>Yes = 5 No = 0</p>	<p>Describe the specific damages that result from natural disasters and will be prevented by this project.</p> <p>Will the project prevent loss of life?</p> <p>What infrastructure, community property, and residential properties will be protected?</p> <p>Have damages occurred in the past or is the need for the project based on anticipated damage?</p> <p>If it has occurred in the past, how frequently?</p>
<p>Does the project leverage partnerships between two or more eligible entities?</p>	<p>Does the project involve a partnership between two or more eligible entities to carry out a project or similar projects? An entity eligible for grant funding includes any state of the United States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands, as well as federally recognized Tribal Nations having received a major disaster declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.</p>	<p>Yes = 5 No = 0</p>	<p>Will the project be implemented in partnership with other communities, particularly a nearby jurisdiction in another state?</p>
<p>Does the project provide natural hazard mitigation benefits that are regional in nature?</p>	<p>Capitalization grants shall give priority to entity applications that take into account regional impacts of hazards on river basins, river corridors, micro-watersheds, macro watersheds, estuaries, lakes, bays, and coastal regions and areas at risk of earthquakes, tsunamis, droughts, severe storms, and wildfires, including the wildland-urban interface.</p>	<p>Yes = 5 No = 0</p>	<p>Does the project mitigate natural hazards that have regional impacts/benefits?</p>
<p>Does the project demonstrate innovation, resilience of major economic sectors, or critical</p>	<p>Capitalization grants shall give priority to projects for the resilience of major economic sectors or critical national infrastructure, including ports, global commodity supply chain assets (located within an entity or</p>	<p>Exceeds = 5 Entirely = 4 Mostly = 3</p>	<p>Does the project demonstrate innovation, resilience of major economic sectors, or critical national infrastructure?</p>

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national infrastructure?	within the jurisdiction of local governments, insular areas, and Indian tribal governments), power and water production and distribution centers, and bridges and waterways essential to interstate commerce.	Partially = 2 Minimally = 1 Not at all = 0	
Extent of risk reduction (magnitude and/or longevity)	How effective will the project be in reducing disaster losses? Consider the applicant's explanation of damages that will be mitigated and how the project will mitigate those losses. How effective will the project be at mitigating those losses? Will the project mitigate damages permanently, long-term, or for a shorter period? Consider the useful life of the project and how effectively it will reduce the possibility of future damages.	Exceeds = 5 Entirely = 4 Mostly = 3 Partially = 2 Minimally = 1 Not at all = 0	How long will the project continue to provide benefits once complete (what is the project's useful life)? Once complete, will the project require regular maintenance to continue to be effective at preventing damages?
Does the community agree to maintain the project for the life of the project with local funding?		Yes = 5 No = 0	What will the annual cost of maintenance be for the project to continue to be effective? Does the community agree to maintain the project so that it continues to provide benefits for the useful life? If yes, what source of funding will be used to maintain the project?
At the time of application, does the loan applicant have a FEMA approved local hazard mitigation plan?		Yes = 5 Expired/ No Plan = 0	Does your community have a currently approved FEMA hazard mitigation plan (that has been locally adopted)? If so, when does it expire? If your community does not have a currently approved plan, is one being developed? If so, when is it scheduled to be completed?
Population Benefited	The project sub-application demonstrates community-wide benefits and identifies the proportion of the population that will be impacted, including a description of the disadvantaged communities as referenced in	Exceeds = 5 Entirely = 4 Mostly = 3	What quantity (e.g., percent) of the population will directly benefit from the project? How is this estimate calculated?

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	<p>Executive Order (EO) 14008. The sub-application also describes how the project was selected and designed to maximize positive impacts and minimize negative impacts to any disadvantaged populations. The sub-application demonstrates how disadvantaged communities as referenced in EO 14008 benefited.</p> <p>If a population impacted does not include an underserved community, then the highest point allotment available is Partially. Projects that clearly state that the proposed project is benefiting a disadvantaged community can score Mostly or higher. Projects that demonstrate a direct positive impact on a disadvantaged community will receive a score of Mostly, and projects that thoroughly demonstrate the population impacted including a high positive impact on a disadvantaged community will merit a score of Entirely or Exceeds.</p>	<p>Partially = 2</p> <p>Minimally = 1</p> <p>Not at all = 0</p>	<p>Will the project provide benefits to any underserved communities or work to advance diversity, equity, inclusion, and accessibility goals?</p> <p>Underserved community means "populations sharing a particular characteristic, as well as geographic communities, that have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life..." and includes communities such as Black, Latino, and Indigenous and Native American persons, Asian Americans and Pacific Islanders and other persons of color; members of religious minorities; lesbian, gay, bisexual, transgender, and queer (LGBTQ+) persons; persons with disabilities; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality. Underserved communities also include "communities environmentally overburdened," which are communities adversely and disproportionately affected by environmental and human health harms or risks, and "disadvantaged communities," as referenced in EO 14008.</p> <p>To what extent does the project's expected direct and indirect impacts benefit an underserved community?</p>
<p>Does the project benefit a low-income geographic area or underserved community?</p>	<p>Pursuant to 42 United States Code Section 3161(a)(1): (1) "the area has a per capita income of 80% or less of the national average," or (2) "the area has an unemployment rate that is, for the most recent 24-month period for which data are available, at least one percent greater than the national average unemployment rate."</p>	<p>Yes = 5</p> <p>No = 0</p>	<p>Does the project benefit a low-income geographic area? (Pursuant to 42 United States Code Section 3161(a)(1), this is defined as: (1) "the area has a per capita income of 80% or less of the national average," or (2) "the area has an unemployment rate that is, for the most recent 24-month period for which data are available, at least one percent greater than the national average unemployment rate.")</p>
<p>Readiness to proceed</p>	<p>The sooner a project is ready to proceed, the more it benefits the health of the revolving loan fund. Having a fully designed (or close to fully designed) project is an advantage to the program because there are fewer unknowns and the greater likelihood that the loan funding will be adequate to complete the project with the desired outcome.</p>	<p>Construction Documents Completed = 5</p> <p>Construction Documents 90% = 4</p> <p>Construction Documents 60% = 3</p> <p>Construction Documents 30% = 2</p>	<p>Has design/engineering begun for the project? If yes, what level and percentage of design has been completed (schematic, design development, construction documents)?</p> <p>If construction documents have not been completed, how long will it take to complete the design/engineering?</p>

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		<p>Schematic Design or Design Development = 1</p> <p>No level of design has begun = 0</p>	
<p>Duration of a project</p>	<p>The quicker a project can be completed, the more it benefits the health of the revolving loan fund. Quicker completion means loan repayment starts sooner so a shorter project implementation is a benefit to the program.</p>	<p>0-1year = 5</p> <p>1-2 years =4</p> <p>2-3 years = 3</p> <p>3-4 years = 2</p> <p>4-5 years = 1</p> <p>5+ years = 0</p>	<p>Has a construction schedule, which includes procurement, been established? If so, how long will it take to complete the project once a loan is issued?</p> <p>If a schedule has not been completed, what is the estimated time it will take to complete the project after a loan has been issued?</p>
<p>Availability of the funding source for loan repayment</p>	<p>Having an identified, approved, and authorized source of funding for loan repayment is required for a revolving loan fund to eliminate uncertainty and ensure the longevity of the program.</p>	<p>Funds already approved and authorized/appropriated = 5</p> <p>Limited approval is still needed. Not yet authorized = 3</p> <p>Voter approval needed to secure funding = 0</p> <p>Not Identified = 0</p>	<p>What will be the source of loan repayment?</p> <p>Is the loan repayment source already approved and available?</p> <p>How much funding for repayment has been identified/authorized? Is this a multi-year allocation?</p> <p>If not, describe the process required to gain approval. Will voter approval be necessary (i.e. proposed millage)? Will approval be needed from a governing body, like a municipal board? What is the timeline for completing the necessary process to secure funding for the repayment of the loan?</p>
<p>Does the proposed project utilize nature-based solutions for Hazard Mitigation?</p>	<p>Nature-based solutions are sustainable planning, design, environmental management, and engineering practices that weave natural features or processes into the built environment to promote adaptation and resilience.</p> <p>Are the hazard mitigation efforts using one of the three categories of nature-based solutions to reduce risk?</p> <p>Watershed or Landscape-scale practices</p>	<p>Yes = 10</p> <p>No = 0</p>	<p>Does the proposed project aim to provide a nature-based solution to mitigate potential hazards?</p> <p>What nature-based solution is the hazard mitigation project utilizing?</p>

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	<p>Neighborhood or site-scale practices</p> <p>Coastal Practices</p>		
Has the community shown continued interest in completing the hazard mitigation project?	How many years has the project been on our Proposal List?	<p>5+ years = 5</p> <p>4 years = 4</p> <p>3 years = 3</p> <p>2 years = 2</p> <p>1 Year = 1</p> <p>First Application = 0</p>	Has this project been submitted to the MiSTRLF in the past?
Will the requested loan amount be adequate to complete the mitigation project?	<p>The maximum loan amount for a RLF loan is \$5 million. Some proposed projects exceed \$5 million.</p> <p>For the health of the revolving loan fund, it is important that selected projects be implemented as proposed. For projects that exceed the funding available from a storm loan, how much certainty is there that necessary funding is available from another source?</p>	<p>Additional Funds are not needed = 5</p> <p>Source of additional funds identified, and approvals obtained = 4</p> <p>Source of additional funds is identified, and approvals required = 3</p> <p>No, Source of Additional funds are needed = 0</p>	<p>If the proposed project exceeds \$5 million, what other funding will be used to complete the project?</p> <p>Is the other source(s) of funding already identified and approved?</p> <p>If the project exceeds \$5 million, will a loan from the RLF make the difference in whether the project can be implemented? Please explain</p>
How much of the MiSTRLF is the proposed project requesting?	The lower the requested loan amount the more availability the state has to help multiple communities with hazard mitigation projects	<p>\$100,000 or under = 12</p> <p>\$100,001 - \$500,000 = 10</p> <p>\$500,001 - \$1,000,000 = 8</p> <p>\$1,000,001 - 2,000,000 = 6</p> <p>\$2,000,001 - 3,000,000 = 4</p> <p>\$3,000,001 - 4,000,000 = 2</p> <p>\$4,000,001 - 5,000,000 = 0</p>	
Will this project leverage funding from a federal HMA grant?		<p>Yes = 5</p> <p>No = 0</p>	

