State of Montana

NSP SUBSTANTIAL AMENDMENT PLAN YEAR 2008 ANNUAL ACTION PLAN

Governor Brian Schweitzer

Investing in Montana's Communities

DEPARTMENT OF COMMERCE

Anthony Preite, Director

Community Development Block Grant Program

Home Investment Partnerships Program

DEPARTMENT OF PUBLIC HEALTH & HUMAN SERVICES

Anna Whiting-Sorrell, Director

Emergency Shelter Grant Program

Amendment to: Plan Year

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Prepared by:

Community Development and Housing Divisions
Montana Department of Commerce
301 S. Park Avenue, P.O. Box 200545
Helena, MT 59620-0545
(406) 841-2817
www.housing.mt.gov

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Phone: (406) 841-2820
Fax: (406) 841-2810
TDD: (406) 841-2702
Montana Relay Services number: 711.

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STATE OF MONTANA
NSP SUBSTANTIAL AMENDMENT
PLAN YEAR 2008 ANNUAL ACTION PLAN

Jurisdiction: State of Montana Department of Commerce **Web Address for NSP Amendment:** http://housing.mt.gov/Hous_CP_Apps.asp **Web Address for Additional Materials:** http://comdev.mt.gov/CDD_CDBG_NSP.asp	**NSP Contact Person:** Jennifer Olson CDBG Program Specialist **Address:** Department of Commerce Community Development Division 301 S. Park Ave; P.O. Box 200523 Helena, MT 59620-0523 **Telephone:** (406) 841-2773 **Fax:** (406) 841-2771 **Email:** jeolson@mt.gov
Web Addresses for Local Action Plans City of Billings Annual Action Plan FY2008-2009: http://mt-billings.civicplus.com/DocumentView.asp?DID=3950 City of Great Falls Annual Action Plan 2008/2009 Program Year: http://www.greatfallsmt.net/people_offices/cdev/cdbg/actionplan0809.pdf City of Missoula Program Year 2008 Action Plan ftp://www.co.missoula.mt.us/opgftp/Documents/Grants/ActionPlan/ActionPlan08.pdf	

INTRODUCTION

The Consolidated Plan is the document the Montana Department of Commerce is required to prepare and submit to the U.S. Department of Housing and Urban Development (HUD) as a precondition to receiving funds for the federally-funded Community Development Block Grant (CDBG) Program, Home Investment Partnerships (HOME) Program, and Emergency Shelter Grant (ESG) Program. The Action Plan is the annual update to the Consolidated Plan for FFY 2005 through 2010. This document is a substantial amendment to the Annual Action Plan for Federal Fiscal Year (FFY) 2008 submitted by the State of Montana.

This amendment to the FFY 2008 Annual Action Plan outlines the expected distribution and use of $19,600,000 allocated to Montana by HUD through the recently established Neighborhood Stabilization Program (NSP). The NSP funds were authorized by the Housing and Economic Recovery Act of 2008 (HERA), signed into law on July 30, 2008 by President Bush, as an adjunct to the CDBG Program.

The Montana Department of Commerce (MDOC) will administer the NSP funds through the Community Development Division (CDD), CDBG Program, which will work to expeditiously provide these funds to eligible grantees.

Since the MDOC began administering the State CDBG Program in 1982, the program has always placed a great emphasis on responding to locally identified needs and priorities that are consistent with the purposes of the CDBG program. In order to allow the designated Areas of Greatest Need (Appendix A) in the State the maximum ability to utilize NSP funds MDOC encourages eligible applicants to provide verifiable local data (such as the number of foreclosure filings or the number of homes in default) and prioritize locally identified needs to propose NSP eligible activities during the limited timeframe allowed for implementation of the program.

Since the signing of HERA on July 30, 2008, MDOC has been soliciting comments from tribes, local governments, and non-profit organizations across the state, in regards to the new Neighborhood Stabilization Program. MDOC staff gave presentations at the annual Montana Association of Counties conference in September in Hamilton and the League of Cities and Towns annual conference in October in Missoula. The county, city, and town officials attending these conferences were informed of the new infusion of NSP funds in the State and were invited to offer comments. MDOC also participated in four statewide housing workshops in Missoula, Great Falls, Billings, and Glendive during October to present the NSP information and the proposed amendment. Additionally, in October MDOC participated in a conference call with five of Montana's tribes, the Governor's Office of Economic Development, and HUD's Montana field representatives. In addition, on November 20, MDOC provided a statewide opportunity for public comment through a combined Go-to-Webinar (internet-based conference call) and METNet (video-conferencing). MDOC staff presented the proposed amendment via a power point presentation and responded to questions and comments from over 60 participants. As a result of the conference call with the tribes, they set up another meeting with MDOC CDBG staff on November 21 in Billings to further discuss how the tribes can use NSP funds. As a result, numerous non-profits, local governments, and tribes have submitted comments and letters offering testimony on their housing concerns and needs to MDOC. In addition, many cities, towns, counties, and tribes have submitted project ideas to MDOC. These responses have substantially assisted MDOC's preparation of this amendment and the department is grateful for their interest and constructive comments.

MDOC has worked directly with local governments and Montana's Indian tribes in an effort to determine the best strategy for utilizing and distributing the funds as quickly and as effectively as possible, based on local priorities. In all cases, the underlying distribution and use of funds will be dictated by the eligible uses and eligible activities set forth in the NSP Federal Register Notice (hereafter referred to as the Notice), which was published on October 6, 2008. HERA states that state governments should use their best judgment to serve those areas not receiving a direct NSP allocation. The Notice promises that *"States will be given maximum feasible deference in accordance with 24 CFR 570.480 (c) in matters relating to the administration of the NSP program."*

The purpose of the NSP funds is to address the negative ramifications of the housing crisis that has occurred over the past five years, which nationally, resulted in significant numbers of homeowners entering into foreclosure and, in some cases, entire neighborhoods of some cities becoming vacant and abandoned. Fortunately, the

number of subprime mortgages in Montana is below the national average and Montana has not exhibited the extent of housing foreclosures as other areas of the nation. According to data provided by HUD, during the past 18 months the State had a total of 191,311 mortgages. Of these, only 1.8% resulted in foreclosure starts, 0.5% are in default, and 5.5% were subprime loans.

Recently, MDOC contacted all 56 county clerk and recorder offices to collect the actual historical and current data regarding the number of notice of trustee sales[1] in each county. The attached spreadsheet (Appendix B, page A-3) shows the information collected and provides the specific information each county reported for 2008. MDOC data found that the State has seen a 70% increase in the number of notice of trustee sales in the State from 2006 through the fall of 2008.

MDOC also contacted the Office of Native American Programs (ONAP) with HUD in Denver to gather specific housing information on the tribes in Montana. Due to a lack of information from ONAP, MDOC directly contacted each Reservation Indian Housing Authority to collect housing information. The housing authorities provided information, which is included as Appendix C pg A-4. The data does show that many reservations have a high percentage of defaults, homes in substandard condition, and vacant and deserted dwellings.

Additionally, USDA Rural Development provided their data documenting 70 total active foreclosures in their housing portfolio. The State has enjoyed a long partnership with USDA RD and feels that the NSP funds used on foreclosed RD houses would provide a great benefit to families who would qualify for both RD and NSP. The State has included the documentation from RD (Appendix, page A-5 and A-6) with this amendment.

Montana's economy has been affected by the national economic downturn. Flathead County has seen two major employers experience setbacks due to the economic downturn in the nation. Semi-Tool, a large computer component manufacturer recently laid off 100 employees. A major Flathead Valley contractor, Goose Bay Equipment Inc. has planned to lay off 58 employees and close in mid-February. During a recent conversation with the Flathead County Clerk and Recorder office, MDOC was told that Flathead County is experiencing up to five foreclosures a day.

The timber industry is also feeling the effects of the economic downturn. Columbia Falls Aluminum Co. is set to lay off roughly 200 employees. The company sited stagnant prices and low global demand for aluminum as contributing factors to the closure of the plant. RY Timber sawmill in Townsend laid off 90 production workers at the beginning of December 2008. The company produces timber studs and ships most of its lumber to New York, Chicago and the Midwest. Additionally, Plum Creek Timber in Flathead County recently laid off 68 workers. Mills have slowed production or ceased production altogether across the West as the demand for lumber has stagnated.

[1] The County data includes all actions that trigger a "sheriff's sale", including non-payment of property taxes.

In all of these examples, these small communities and counties are in a difficult situation; many have only a single large employer. Many families have lost high paying jobs and are now facing a crisis about how to support their home and family. The loss of employment also affects the businesses and services in the community, the county, and the State as a whole. Newspaper articles, attached as Appendix E (pages E-2 and E-3), provide dramatic details of Montana's recent economic losses.

Consequently, the affected communities are seeing an acceleration in the number of foreclosed and abandoned properties. The State anticipates that these Areas of Greatest Need communities will be able to use MDOC's recently collected data or provide verifiable local data to target NSP funds to address foreclosed or abandoned homes. The communities will rehabilitate foreclosed or abandoned properties to either rent multifamily residences or sell single-family residences to families at or below 120% AMI with priority given to families at or below 50% AMI.

Montana's seven Indian reservations face some unique administrative hurdles in resolving their housing needs because of the required involvement of the federal Bureau of Indian Affairs in reservation housing projects. Despite the potential challenges, MDOC is hopeful many of Montana's needs can be addressed with the emergency NSP funding.

In many areas, the lack of affordable housing is causing problems that affect individual families, work force housing for businesses, communities and the State. Homelessness, generated by a shortage of affordable housing units, is impacting many communities. In 2007, over 50% of the state's homeless population were families.[2] Also, many of these same areas are having difficulties hiring teachers, nurses, law enforcement officers, and other related service personnel because there is either no decent, safe and sanitary housing or the area home prices require an unacceptably high percentage of the family's income be used toward housing expenses, making the housing unaffordable for middle income workers, those at or below 120% AMI. The State anticipates that the NSP funds will be used to purchase foreclosed and abandoned properties and provide financing to families or individuals who are at or below 120% AMI. The State anticipates that the NSP funds will be used to purchase foreclosed and abandoned properties that will provide permanent housing for seniors, persons with disabilities, and low-income families.

According to HUD, NSP funds must be focused on Areas of Greatest Need and for projects that will have a meaningful impact on communities. The Notice states, *"NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted areas set forth in the grantee's substantial amendment."* HERA requires that NSP funds be targeted to Areas of Greatest Need within the State of Montana and be used or obligated within 18 months. To address the primary use of NSP funds, as required by HERA, the State will focus NSP funds on the Priority Need Areas first, as more fully described in Section A of this document (page 7

[2] Housing in Montana; The White Paper, Housing Coordinating Team, September 2008, http://housing.mt.gov/Includes/HCT/Final_White_Paper.pdf

and following), throughout the 18-month NSP implementation timeframe. Any funding that has not been designated for Priority Need Area projects will be made available to Qualified Need Area projects.

As described in HERA, NSP funds must be used or obligated within 18 months of receipt of the grant. The Notice states*, "Funds are used when they are obligated by a state, unit of general local government, or any subrecipient thereof, for a specific NSP activity."* The term obligation is defined in 24 Code of Federal Regulations (CFR) Part 85.3, *"Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period."* If the funds are not used or obligated for a specific NSP project or activity within 18 months of receipt of the grant, HUD will recapture the amount of the unused funds. Therefore, MDOC will implement an open-cycle, obligation-based grant approach for the NSP projects, to help ensure that the $19.6 million of NSP funds is used or obligated during the 18 month timeframe.

HUD encourages states to distribute NSP funds to Entitlement communities in Areas of Greatest Need, recognizing that they will play an important role in the new NSP Program (NSP Federal Register Notice, October 6, 2008). The Notice states, *"…the state is required to distribute funds without regard to a local government status under any other CDBG program and must use funds in entitlement jurisdictions if they are identified as areas of greatest need, regardless of whether the entitlement receives its own NSP allocation."* MDOC is well aware that Montana's three Entitlement CDBG communities of Billings, Great Falls, and Missoula already receive annual CDBG allocations, carry out needs hearings, have prepared detailed consolidated plans and action plans, and are following citizen participation processes to involve residents in determining community development and housing needs. The new NSP Program can assist these Entitlement communities to implement their consolidated plans and, in particular, assist them to meet their special housing objectives that fit within the eligible categories of NSP activities and the Priority and Qualified Need Areas as defined by the State.

MDOC received several comments from Indian tribes and rural communities expressing their concern regarding whether they would have the capacity to compete successfully for NSP funding with larger communities. MDOC is well aware that some of these communities and reservations that are located in an Area of Greatest Need may need technical assistance in accessing NSP funds. Both the Community Development Division and the Housing Division of MDOC will be making every effort to assist eligible Indian reservations and communities to take advantage of NSP resources to address their housing needs that are allowed under the eligible activities. After HUD's approval of the proposed Action Plan Amendment is received, MDOC will be sponsoring a series of regional workshops to be held across the State to assist Indian reservations and rural communities that are in Areas of Greatest Need in applying for NSP funds.

In addition to MDOC resources, eligible Areas of Greatest Needs seeking additional assistance can call upon NeighborWorks Montana in Great Falls, MDOC's Regional Development Officers (RDOs), based in five different locations across the state, as well as the regional Certified Regional Development Corporations. Montana has twelve Certified Regional Development Corporations, referred to as the "CRDCs", whose purpose is to facilitate economic and community development within the counties of each region, which can be an additional source of technical assistance.

A. Areas of Greatest Need

HERA mandates that grantees that receive NSP funding (the State) distribute funds to the Areas of Greatest Need, which are defined as:

- Those with the greatest percentage of home foreclosures;
- Those with the highest percentage of homes financed by a subprime mortgage loan; and,
- Those identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures.

The Notice states*, "The grantee's narrative must address the three need categories in the NSP statute, but the grantee may also consider other need categories."*

Montana has chosen to establish four need categories in response to public comments received during all of the public comment sessions in October and November. The categories are areas with:

1) The greatest percentage of foreclosures;
2) The greatest percentage of homes financed by a subprime mortgage loan;
3) A significant rise in the rate of home foreclosures; and,
4) A significant number of Notices of Trustee Sales (i.e., foreclosures; based on information collected by MDOC from Montana's 56 counties).

Greatest Percentage of Foreclosures

The primary factor in determining a targeted area of demonstrated need is the number and percentage of foreclosures. MDOC used the data provided by HUD to determine the areas of highest need. The HUD Foreclosure Risk Score measures the estimated foreclosure and abandonment risk of every Census Tract in the State. This score includes data to assess areas with the greatest percentage of home foreclosures, the highest percentage of homes financed by a subprime mortgage-related loan, and identified as likely to face a significant rise in the rate of home foreclosures. The HUD Risk Score also addresses all of the statutorily required needs factors. This score is

scaled from 0 to 10, with 10 being the highest or greatest risk. A complete listing of the risk score and data for each Census Tract is available at the following website:

www.huduser.org/datasets/excel/MT120_LM.xls

Following are the counties where the majority of the census tracts in the county have a high foreclosure risk score (8 or higher) per HUD data. Three of the counties listed below include areas within Indian Reservations.

Big Horn County	Cascade County	Custer County
Anaconda-Deer Lodge	Butte-Silver Bow	Lake County
Lincoln County	Pondera County	Powell County

Greatest Percentage of Subprime Mortgages

The number and percentage of subprime mortgages is a component in the consideration of targeting areas of demonstrated need. An analysis of sub-prime mortgages is necessary to provide possible indicators of future foreclosure activity; however, subprime mortgages alone may not be a definitive consideration of an Area of Greatest Need. Therefore, when considering HUD data regarding the percentage of subprime mortgages, MDOC also factored in the number of mortgages in each county that are 90 or more days delinquent, which was provided by the Federal Reserve Bank and broken down by zip code. According to the Federal Reserve Bank State-Level subprime loan characteristics (November 2008), Montana has 3,751 subprime loans; 7.8% of mortgages in Montana are 90 or more days delinquent, and 11.8% of mortgages in Montana have a high loan to value rating. The delinquency rate for each county was weighed against the percentage of subprime mortgages for each county. A complete listing of the HUD data regarding the percentage of subprime mortgages for each Census Tract is available at the following website:

www.huduser.org/datasets/excel/MT120_LM.xls

Following are the counties where the majority of the census tracts have a high percentage of subprime mortgages (30% to 67%) and a high number of mortgages with a 90+ days delinquency payment. Two of the counties listed below include areas within Indian Reservations.

Petroleum County	Big Horn County	Anaconda-Deer Lodge
Pondera County	Powell County	Butte-Silver Bow
Golden Valley County	Meagher County	Broadwater County
Custer County	Mineral County	

Greatest Percentage of Predicted Foreclosure Rate

The number and percentage of predicted foreclosure rates for each county is a factor in targeting areas of demonstrated need. MDOC used the HUD predicted foreclosure rate

data to provide possible indicators of future foreclosure activity; however, because this is a predicted rate, MDOC also considered Montana Department of Labor and Industry unemployment and business closure data for each of the counties where there was a high percentage of a predicted foreclosure rate to target Areas of Greatest Need. MDOC found that the majority of the counties that had a high predicted foreclosure rate also had a high unemployment rate, experiencing a negative business growth, and also had high percentage of subprime mortgages (30% or higher). For example, Mineral County has a subprime rate of 30%, a 7.9% unemployment rate as of December 2008 (HUD data reported a 5.2% unemployment rate), and has experienced a negative 6.2% business growth. A complete listing of the HUD data regarding the percentage of predicted foreclosure rate for each Census Tract is available at the following website:

www.huduser.org/datasets/excel/MT120_LM.xls

A complete listing of the unemployment and business closure data used by MDOC is available at the following website:

http://comdev.mt.gov/CDD_CDBG_NSP.asp

Following are the counties where the majority of the census tracts have a high predicted foreclosure rate, a high percentage of unemployment, and a high percentage of business closures. Six of the counties listed below include areas within Indian Reservations.

Petroleum	Anaconda-Deer Lodge	Big Horn	Lincoln
Powell	Pondera	Butte-Silver Bow	Rosebud
Meagher	Golden Valley	Glacier	Mineral
Roosevelt	Broadwater	Lake	Sanders
Custer			

Notice of Trustee Sales

MDOC contacted each County to collect data on the number of Notice of Trustee Sales from each county clerk and recorder. MDOC considers the Notices of Trustee Sales as prime indicator of foreclosure. All 56 counties were able to report the number of trustee sales to MDOC; however, MDOC encourages all applicants in Areas of Greatest Need to provide the most current verifiable local data to help identify projects consistent with NSP criteria. A complete listing of the Notices of Trustee Sales for each county is available at the following website:

http://comdev.mt.gov/CDD_CDBG_NSP.asp

Following are the counties where there are at least 100 Notice of Trustee Sales for calendar year 2008. Three of the counties listed below include areas within Indian Reservations.

Flathead	Yellowstone	Gallatin	Missoula
Cascade	Ravalli	Lewis and Clark	

Indian Reservations

The extent and definition of foreclosures is a difficult issue for Indian reservations. Typically, at least in Montana, there are very few conventionally financed, bank-assisted mortgages. Alternatively, housing units are ultimately owned by the tribes and tribal housing authorities in complex trust arrangements involving the Bureau of Indian Affairs (BIA), HUD, and individual tribal households. Individual tribal households can go into a default status when they fail to make payments on their home to the tribe or tribal housing authority. Most tribal housing units falling within the tribally defined level of default would not be reflected in the HUD NSP census tract lists. Due to the nature of the high foreclosure risk scores and high percentage of subprime loans in the counties that include Indian Reservations (See Appendix C pg C-1), the high unemployment on the reservations, lower median incomes, and the high percentage of loans in default, all seven Indian Reservations are designated as Areas of Greatest Need. The Indian Reservations are defined by the reservations boundaries.

MDOC will use the NSP funds for the purposes set forth in HERA – to promote neighborhood stabilization where subprime lending and foreclosure have negatively affected the housing market. Accordingly, applicants must target NSP resources to neighborhood stabilization projects that will address these problems in areas with the greatest needs and in turn ensure that NSP funds are used appropriately in proposed projects.

All eligible applicants must target NSP funds to high risk census tracts, block groups, or neighborhoods within the Areas of Greatest Need while meeting the Low, Moderate and Middle Income (LMMI) NSP Objective. Applicants from the Areas of Greatest Need are encouraged to utilize the HUD data, data collected by MDOC, or other local data (such as foreclosure filings or the number of homes in default) to define an area of need and appropriate activity. Furthermore, MDOC will give first priority to those proposals that will purchase or rehabilitate abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose income do not exceed 50 percent of area median income (AMI). NSP allows eligible activities to provide a benefit that will assist families that are at or below 120 percent of area median income (AMI) or LMMI. HUD has provided the LMMI limits. The following link will provide the LMMI limits for Montana:

http://comdev.mt.gov/Includes/CDBG/MT08NSPIncomeLimits.pdf

The State has established the following definitions of "Greatest Need Areas."

- **Priority Need Areas**: MDOC has determined that any county or Indian reservation that is located within a county that is identified in three or four of the need categories previously described will be considered a Priority Need Area. Applicants from the Priority Need Areas will receive priority consideration in the funding distribution and award process. These applicants must demonstrate how the activities they

undertake will show a visible impact and will serve families or individuals with incomes at or below 120% AMI. Those proposals that effectively address foreclosed and abandoned properties **and** serve families at or below 50% AMI will receive first priority over all other proposals.

To ensure that the State is addressing HERA's intent of providing NSP funding to projects in targeted areas with the highest concentration of foreclosures, subprime loans and risk of foreclosures, Priority Need Areas will receive first priority throughout the 18-month timeframe when proposals are submitted to MDOC for NSP projects. Proposals that address or contain elements of NSP eligible activities A, B, and C as further defined in this amendment, will be prioritized over projects that only address NSP eligible activities D & E.

Qualified Need Areas MDOC has determined that any county or Indian reservation that is located within a county that is listed in at least one of the need categories previously described will be considered a Priority Need Area. NSP projects that only address blighted properties and vacant or demolished properties will not be given priority funding over projects that include activities that address foreclosure or abandonment as described in the NSP eligible activities A, B and C as further defined in this amendment (Section G, NSP Information by Activity, page 32 below).

To ensure that NSP funds are used in compliance with the NSP Notice, all eligible applicants must target to either a) census tracts with a high HUD Risk Score; or b.) census tracts, block groups or neighborhoods that can demonstrate need via MDOC or local data showing a large number of homes in default, Trustee Sales, foreclosures, or subprime loans. MDOC has designated 7 Indian Reservations and 24 of Montana's 56 counties as the Areas of Greatest Need:

Priority Need Areas

Anaconda-Deer Lodge	Blackfeet Indian Reservation	Big Horn
Butte-Silver Bow	Crow Indian Reservation	Custer
Pondera	Powell	

Qualified Need Areas

Broadwater	Cascade	Flathead
Flathead Indian Reservation	Fort Belknap Indian Reservation	Fort Peck Indian Reservation
Gallatin	Glacier	Golden Valley
Lake	Lewis and Clark	Lincoln

Meagher	Mineral	Missoula
Northern Cheyenne Indian Reservation	Petroleum	Ravalli
Rocky Boy's Indian Reservation	Roosevelt	Rosebud
Sanders	Yellowstone	

MDOC has attached a map of the Areas of Greatest Need (See Appendix A, pg A-1). In addition, the following websites provide access to the HUD and State data regarding the Areas of Greatest Need:

- http://comdev.mt.gov/CDD_CDBG_NSP.asp
- http://www.huduser.org/publications/commdevl/nsp.html

B. Distribution and Uses of Funds

Distribution Process

MDOC will use a three-stage Request for Proposals (RFP) process to solicit proposals from Indian reservations and local governments for local NSP projects, and will rely on the Areas of Greatest Need (as described in the previous section) to focus the allocation of NSP funds, as required by the Notice. MDOC based its decision on the following reasons:

- Given the emergency nature of the assistance, and the short time frame permitted to publish and prepare this Amendment (i.e., HUD Notice issued on October 6, 2008, plan amendments required to be published for public comment by November 13, 2008, and submission of the plan required by December 1, 2008);

- The HUD requirement to obligate NSP funds within 18 months of HUD's approval of this Amendment;

  - As described in HERA, NSP funds must be used or obligated within 18 months of receipt of the grant. The Notice states, *"Funds are used when they are obligated by a state, unit of general local government, or any subrecipient thereof, for a specific NSP activity."*

  - The term obligation is defined in 24 Code of Federal Regulations (CFR) Part 85.3, "*Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period."* If the funds are not used or obligated for a specific NSP activity within 18

months of receipt of the grant, HUD, will recapture the amount of the unused funds;

- HERA's objectives for and restrictions on the use of NSP funds, which differ significantly from regular CDBG funds;

- The State's desire to promote quick implementation of projects to respond to foreclosures and other factors which destabilize neighborhoods and cause declining home values.

Upon approval of Montana's Action Plan Amendment by HUD, MDOC will issue a three -staged RFP and begin accepting applications during the three-stage process for all projects that propose any of the following NSP activities to address foreclosed or abandoned properties:

- to establish financing mechanisms,
- purchase or rehabilitate, or
- land bank.

All of these activities, with the exception of land banking, will assist individuals or families whose income does not exceed 50 percent of AMI. Land banking cannot produce a benefit until the property is put to use under eligible uses A, B, or E. This first RFP will be referred to as stage one of the three-stage RFP process. The RFP issue date is dependent upon the data of HUD's approval of this Action Plan Amendment, and/or changes issued to the NSP Notice or interpretation of the Notice as clarified on the HUD website for this program: http://www.hud.gov/nsp. MDOC urges potential grantees to be on alert for such changes, which will be posted on the MDOC website with other NSP publications and materials. That website is:

http://comdev.mt.gov/CDD_CDBG_NSP.asp

MDOC will issue a second RFP and begin accepting applications 30 days after the date of the approval of Montana's Action Plan Amendment by HUD for those proposals that propose any of the following NSP activities to address foreclosed or abandoned properties:

- to establish financing mechanisms,
- purchase or rehabilitate, or
- land bank.

All of these activities, with the exception of land banking, must assist to establish financing mechanisms, purchase or rehabilitate homes to will assist families or individuals whose income does not exceed 80 or 120 percent of AMI. Land banking cannot produce a benefit until the property is put to use under eligible uses A, B, or E. This second RFP will be referred to as stage two of the three-stage RFP process.

MDOC will issue a third RFP and begin accepting applications 60 days after the date of the approval of Montana's Action Plan Amendment by HUD for those proposals that will include project activities in Areas of Greatest Need to demolish blight or redevelop demolished or vacant properties. This third RFP will be referred to as stage three of the three-stage RFP process.

The three-stage RFP process described above will give priority to those projects that address HERA's requirement that "*not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income."* Additionally, the three-stage RFP process will allow those eligible applicants that have not previously worked with the State CDBG program time to access technical assistance from MDOC or partner with any one of Montana's experienced CRDCs, Human Resource Development Council's, Certified Housing Development Organization's, NeighborWorks Montana, or any other non-profit organizations. MDOC pledges to provide technical assistance to Indian Reservations and rural communities in Areas of Greatest Need to assure that they can fully participate in the State's Neighborhood Stabilization Program.

Eligible recipients submitting a proposal that contains a combination of activities allowed under two or more stages will be allowed to submit the proposal at the earliest RFP. For example, if a proposal is submitted that requests NSP funds to complete a combination of activities for both stage one and stage three, the applicant will be allowed to submit the proposal during the stage one timeframe.

During the public comment period of the State's draft amendment, several tribes and rural communities expressed their concerns regarding their ability to quickly prepare proposals and apply for NSP funds. Through the three-stage RFP process and the provision of technical assistance, MDOC anticipates that tribes and rural communities will have an equivalent opportunity to access NSP funds while still obligating NSP funds within the 18-month window for obligating NSP funds.

Anthony J. Preite, Director of the Montana Department of Commerce, has stated, "We are committed to providing extensive technical assistance to Areas of Greatest Need, such as Montana's Indian tribes and rural communities. We feel it is necessary that these areas have the ability to access these NSP resources."

Initial Funding Round

- After HUD's approval of the State of Montana's Action Plan Amendment, applicants may submit proposals, according to the three-stage RFP process listed in the chart below, at any time during the open-cycle RFP process. The RFP will be published on Montana's NSP website:

http://comdev.mt.gov/CDD_CDBG_NSP.asp

- **Timeline Chart for the Three Stage RFP Process:**

Three- Stage RFP process	**Date Proposals are Accepted by MDOC**
Stage One: Proposals to establish financing mechanisms, purchase or rehabilitate abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose income does not exceed 50 percent of AMI – NSP eligible activities A & B (outlined in greater detail later in this amendment)	The date HUD approves the MT Amendment
Stage Two: Proposals that will -establish financing mechanisms; -purchase or rehabilitate abandoned or foreclosed homes or residential properties that will assist families or individuals whose income does not exceed 80 or 120 percent of AMI – NSP eligible activities A& B (outlined in greater detail later in this amendment); or land banking. (Land banking cannot produce a benefit until the property is put to use under eligible uses A, B, or E.)	30 days after the date HUD approves the MT amendment
Stage Three: Proposals that will include project activities to demolish blight or redevelop demolished or vacant properties within Areas of Greatest Need – NSP eligible activities D & E (outlined in greater detail later in this amendment)	60 days after the date HUD approves the MT amendment

- All proposals received will be summarized on Montana's NSP website:

  http://comdev.mt.gov/CDD_CDBG_NSP.asp .

- All proposals must be reasonable and appropriate given the limited amount of funds in comparison to the anticipated high demand for them in the Areas of Greatest Need.

- The State will award NSP funds to eligible applicants in the initial funding round based upon acceptable applications that are consistent with this amendment.

- **HERA states*, "not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income."* The State will give absolute priority to those foreclosure-related proposals in Areas of Greatest Need that meet the 50 percent (low-income) AMI requirement.**

- **If MDOC does not receive foreclosure-related proposals totaling at least 25 percent of the NSP funds (one-fourth of the total funds obligated through Montana's NSP allocation or $4,900,000) for this population group as required by statute,. MDOC will delay awarding grants for NSP eligible activities that**

serve households above 50% AMI until additional eligible proposals/activities (NSP activities A, B and C) are identified to meet this requirement. MDOC can only expend NSP funds for activities serving households above 50% AMI in relative proportion to the 25 percent requirement. If MDOC did authorize projects that do not conform to the 25 percent requirement, MDOC could be liable for reimbursing those funds back to HUD under NSP regulations. MDOC may choose to solicit additional NSP proposals, unilaterally modify grant request amounts, and/or identify other eligible projects that meet the 50 percent (low-income) AMI requirement.

- The State reserves the right to reject any application that does not meet the requirements of the NSP statute or appears infeasible.

Administrative Funds

MDOC will share with grantees the 10 percent of the NSP funds potentially available for administrative uses as follows: Up to five percent (or up to $980,000) will be retained by the State to fulfill the administrative and monitoring requirements of the program, and up to five percent will be available to grantees receiving NSP grant funds for grant administration. The Notice states, *"For all grantees, including states, the 10 percent limitation applies to the grant as a whole."* Therefore, the state can only allow the expenditure of administrative funds for project costs in relative proportion to the amount of funds obligated for or expended on eligible NSP activities.

Upon notification, NSP grantees will receive authorization to incur project start-up costs which do not involve any physical construction or demolition activities, such as hiring professional grant administrators, engineers, architects, or initiating the project environmental review process. These actions will consist of the following:

- utilizing administrative staff working on NSP activities and/or selecting an outside administrative consultant for NSP projects;
- preparation or revision of project management plans;
- publishing legal notices;
- incurring other administrative expenses required for capacity building (e.g., training appropriate for the NSP project);
- advertising for consultant services (architecture, engineering, and grant administration) by means of requests for proposals (RFPs) or requests for qualifications (RFQs), as applicable;
- Project architecture, engineering and design costs; and
- Environmental studies or assessments required by HUD regulations (24 CFR, Parts 51, 55, and 58).

A grantee may incur no costs other than those listed above without written consent from MDOC. Reimbursement of costs incurred is contingent on the satisfactory completion

of the Environmental Review Record for the NSP project, the issuance of a Release of Funds by MDOC, and executing and meeting the terms of the contract between MDOC and the local entity. In the event the grantee is unable to complete any required start-up activity, any costs incurred will be the responsibility of the grant applicant.

Grantees will also be responsible for any costs incurred in the event the grantee or sub-grantee fails to obligate NSP funds by executing a contract or similar agreement to carry out a NSP activity.

Eligible Applicants

For the purposes of Montana's NSP program, eligible applicants are limited to Indian reservations, counties, cities, and towns in areas of the State designated as Areas of Greatest Need. However, all entities must be eligible to receive federal funds as defined in Title III, Section 2304 of HERA and follow all applicable CDBG regulations. MDOC is limiting direct application for NSP funds to Indian reservations and general-purpose local governments for several reasons.

Federal regulations require that grant recipients have adequate management capacity and have financial management systems that meet generally accepted accounting principles. Given the limited time frames for NSP implementation, MDOC believes that this is best assured by limiting eligible applicants to eligible reservations and general purpose local governments (counties and municipalities). Many of Montana's Indian tribes are familiar with CDBG requirements because of experience with the HUD Indian CDBG Program. Likewise, many counties and municipalities are also familiar with CDBG requirement due to experience with either the HUD Entitlement CDBG Program or the State CDBG Program.

By limiting applications to local governments and reservations located in Areas of Greatest Need, this will assure that any project proposals originated by non-profit organizations have the support of the community, as a whole. The State encourages these organizations to partner with local governments and tribes to develop and participate in local NSP projects and to share their expertise in planning and implementing local NSP housing projects.

One potential disadvantage of allowing applications directly from nonprofit organizations, county or municipal housing authorities, or redevelopment authorities is that the environmental clearance must be conducted by HUD with no assurance as to the amount of time that would be required for a HUD decision. The State believes that it will be able to assure a faster environmental clearance timeframe.

Under federal regulations and state law (Section 2-7-504, MCA), city, town and county grant recipients must be able to demonstrate that their financial management system meets generally accepted accounting principles before MDOC will disburse funds for a local project. As part of this process, MDOC will consult with the Local Government Services Bureau of the Montana Department of Administration, as applicable, to

determine if the applicant is current in completing required financial audits and submitting annual financial reports. Tribal Governments must comply with auditing and reporting requirements provided for in OMB Circular A-133.

In those cases where the applicant's jurisdiction has inadequate accounting capacity, the MDOC will work with the Local Government Services Bureau to provide technical assistance. In some cases, this may require purchasing special computer software programs and training of staff responsible for financial management.

Under HUD regulations in order to be awarded federal funds, an applicant must have the management capacity to undertake and satisfactorily complete the project it is proposing. If an applicant does not believe that it currently has the capacity to manage a NSP grant, it may propose to arrange for project administration by another governmental entity through an inter-local agreement.

Eligible Activities

MDOC will make NSP funds available for the following statutorily eligible activities. NSP funds are eligible to:

A. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.

B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.

C. Establish land banks for homes that have been foreclosed upon.

D. Demolish blighted structures.

E. Redevelop demolished or vacant properties.

HUD has established restrictions on these activities via its Notice on the NSP allocation. In addition, eligible activities A, B, and C are only eligible if the use of funds will address an abandoned or foreclosed property. These activities will be given the highest priority for NSP funding. HUD has waived the requirement for one-for-one replacement, but requires documentation on the number of units that will be produced. (One-for-one replacement is required under the regular CDBG program as found in 24 CFR 42.375: "*All occupied and vacant occupiable lower-income dwelling units that are demolished or converted to a use other than as lower-income dwelling units in connection with an assisted activity must be replaced with comparable lower-income dwelling units.")* MDOC will also advise and provide technical assistance to all eligible NSP applicants regarding these requirements.

The eligible activities outlined in this Action Plan for NSP funds are subject to change, based upon HUD's approval of this Action Plan, and/or changes issued to the NSP Notice or interpretation of the Notice as clarified on the HUD website for this program: http://www.hud.gov/nsp. MDOC urges potential grantees to be on alert for such changes, which will be posted on the MDOC website with other NSP publications and materials. That website is: http://comdev.mt.gov/CDD_CDBG_NSP.asp .

Grant Amounts

MDOC anticipates that the amount of funds that can be applied for and approved will vary with population and needs of each community. The State will not impose a 'ceiling' or maximum for the amount of a grant request. However, as eligible applicants prepare their NSP proposals, they should keep in mind the limited amount of funding available relative to the eligible Areas of Greatest Need. MDOC will strive to distribute NSP funds fairly and reasonably given the strong interest and need for NSP funds and the limited timeframe to obligate the funds. MDOC recommends that eligible applicants apply for funding amounts commensurate with:

a) Cost of the project;

b) Amounts of NSP funds available for the specific activity;

c) Consideration of other proposals submitted from Areas of Greatest Need;

d) Availability of other funding sources;

e) The distribution of NSP funds to families or individuals at or below 50% of AMI;

f) Need of the jurisdiction (HUD Risk Score, subprime lending activities, and Notices of Trustee Sales, i.e., foreclosure filings); and

g) The applicant's capacity to carry out the proposed activities in a timely manner (conformance to the HUD requirements for the 18 month obligation of funds and conformance to the 4 year expenditure of NSP funds).

Award of Funds

As required by HERA, NSP funds must be used or obligated within 18 months of receipt of the State's grant. The Notice states, *"Funds are used when they are obligated by a state, unit of general local government, or any subrecipient thereof, for a specific NSP activity."* If the funds are not used or obligated for a specific NSP activity within 18 months of receipt of the grant by the State, HUD will recapture the amount of the unobligated funds. In addition, the Notice states, "*All NSP grantees must expend on eligible NSP activities an amount equal to or greater than the initial allocation of NSP funds within 4 years of receipt of those funds or HUD will recapture and reallocate the amount of funds not expended."* Therefore, the State will implement an incremental, obligation-based grant approach for the NSP projects, to ensure that as much as possible of the $19.6 million of NSP funds is used or obligated during the 18-month timeframe of the State's receipt of Montana's NSP funds.

Contrary to how funds are awarded with the regular CDBG program, NSP grants to eligible recipients will not receive a grant award for a firm, fixed amount of funds. Additionally, Montana NSP does not intend to establish set-asides or provide lump sum grants for projects or activities. The obligation-based grant approach will allow projects to be approved in concept; however, the commitment of funds for project components will only be finalized as the eligible recipients are ready to firmly obligate funds for project activities through a contractual process. Once eligible recipients are ready to firmly obligate funds (i.e., all start up conditions as outlined in their contract with MDOC have been released by MDOC), recipients will receive a letter from MDOC stating that NSP funds have been designated for the project activity and will be firmly committed to the recipient contingent upon a signed contract obligating NSP funds to the designated project activity. To reduce the risk of recipients obligating funds without the firm commitment of funds from MDOC, applicants should state, within their own procurement contracts, that award of bids or purchase agreements are contingent upon receipt of NSP funds from MDOC.

Therefore, grantees will have projects approved through an initial contract with MDOC with no firm, fixed amount. Once the NSP funds are ready to be obligated by the grantee, MDOC will sign a contract amendment for the amount of funds for the specified project activities that are ready to proceed. Grantees may submit proposals for amendments to their NSP contract for multiple activities or properties, or they may bring in individual properties or activities as they are ready to proceed. Additional activities will be incorporated in the original contract with the grantee through successive MDOC-approved amendment(s).

The intent of an obligation-based grant award system and an incremental grant commitments procedure is to establish a system that will encourage the obligation and expenditure of these funds by rewarding communities that are successful in quickly committing and spending these NSP funds for eligible activities. This process will also help ensure that as much as possible of the NSP funds will be spent in Montana and not returned to HUD at the end of the 18-month timeframe. The Montana NSP website will provide assistance to prospective applicants regarding the amount of available NSP fund for the State. The MDOC NSP website is located at the following link:

http://comdev.mt.gov/CDD_CDBG_NSP.asp

Selection Criteria and Priorities

MDOC has established the priorities described below that will be used in the NSP proposal review process for all NSP applications submitted. While each criterion is important to demonstrate a successful NSP proposal, the priorities were designed to assure that the State complies with the HUD Notice, meets applicable CDBG regulations, and spends the funds in an effective and timely manner:

- **Neighborhood Stabilization:** MDOC will give priority to those proposals that can demonstrate a strong relationship to neighborhood stabilization activities, which is consistent with existing local housing priorities.

- **Recognizable Impact**: To address the intent of HERA and the Notice which is to make certain that this funding will have a meaningful impact at the State and local level, MDOC will give priority to those proposals located within Areas of Greatest Need that can demonstrate the eligible NSP activities would result in a long-term, recognizable and visible impact and would promote overall neighborhood stabilization and community renewal. In addition, MDOC will also consider whether the applicant has chosen a geographic area or clientele of high need, in terms of concentrations of lower income families and substandard housing suitable for NSP funds to be obligated, which offer a reasonable potential for generating substantial recognizable impact.

- **Capacity of Applicant and Program Administrators**: Under HUD regulations in order to be awarded federal funds, an applicant must have the management capacity to undertake and satisfactorily complete the project it is proposing. An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity. If any question arises during the evaluation of the application, MDOC may request additional information.

  MDOC will consider the following considerations for all proposals:

  - In order to receive an NSP grant, an eligible applicant must have the management capacity to obligate the funds within the 18-month timeframe and satisfactorily complete the project it is proposing by the end of 4 years, from the date of the approval of the State's amendment by HUD.

  - An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity. If any question arises when the NSP proposal is submitted, MDOC may request additional information. If an applicant does not believe that it currently has the capacity to manage a NSP grant, it may propose to hire administrative staff or arrange for project administration by another local government through an interlocal agreement or by contracting for administrative services with a consultant. (These are allowable expenses that can be paid for using NSP funds.)

- **Citizen Participation Requirements:** Public involvement can be a key factor in developing community understanding and support for a proposed NSP project and ultimately lead to a more successful project. By involving the public up-front in the development of NSP grant proposals, potential applicants can make more people aware of the opportunities available through a proposed NSP project.

Each applicant for NSP funds must hold a minimum of one public hearing before MDOC will make a funding decision on an application. As an alternative to a formal hearing, applicants may substitute a public meeting that may provide a more effective means of communication between residents and the project sponsor in contrast to the more formal process involved in the conduct of an actual hearing. Local officials and MDOC staff are well aware that formal public hearings are sometimes a very ineffective means of getting people involved or encouraging meaningful dialogue or discussion. In any case, the public hearing or meeting must be conducted by the city, town, county government, or Tribal Council or Tribal Housing Authority that will sponsor the application.

Public notice must be provided before the public hearing or meeting is held. Notice of each public hearing or meeting should be published at least once in a newspaper of general circulation in the community at least seven days prior to the event. Alternative means of notice, such as posting in community post offices, grocery stores, etc. are also acceptable. Where possible, extra notice should also be directed to persons and/or groups representing low, moderate, and middle income persons (LMMI).

The hearing or meeting must be held at a time and location convenient to the general public and with reasonable accommodations for handicapped persons.

The NSP Program encourages a neutral setting that promotes open discussion and an exchange of ideas. This can include an open town meeting with a final summation of the discussion. Local officials may also want to use additional public involvement techniques such as open houses or presentations to local organizations to make more citizens aware of proposed NSP activities and to solicit their ideas.

A summary of the hearing or meeting must be submitted, along with copies of the public notice for the hearing or affidavits of publication for the notice. A verbatim record is not necessary; however, applicants should provide a list of the names of persons who attended the hearing or meeting and a summary of comments made by local officials and citizens, which are sufficient to reflect the comments made by those attending.

- **Assistance to Low-Income Households at or Below 50 percent AMI:** In order to meet the requirement that at least 25 percent of all NSP funds assist households at or below 50 percent of the area median income (AMI), the State will give absolute priority to proposals that address foreclosed and abandoned property which will serve persons in this income category. NOTE: MDOC will ensure the assistance to low-income households proposed in NSP project through contract conditions with required performance levels in order to receive NSP grant payments.

  - **HERA states, "*not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income*." The State will give**

priority to those foreclosure-related proposals that meet the 50 percent area median income (AMI) requirement.

- **If MDOC does not receive foreclosure-related proposals totaling at least 25 percent of the NSP funds (one-fourth of the total funds obligated through Montana's NSP allocation or $4,900,000) for this population group as required by statute, MDOC will delay awarding grants for NSP eligible activities that serve households above 50% AMI until additional eligible foreclosure-related proposals/activities (NSP activities A, B and C) are identified to meet this requirement. MDOC can only expend NSP funds for activities serving households above 50% AMI in relative proportion to the 25 percent requirement. If MDOC did authorize projects that do not conform to the 25 percent requirement, MDOC could be liable for reimbursing those funds back to HUD under NSP regulations. MDOC may choose to solicit additional NSP proposals, unilaterally modify grant request amounts, and/or identify other eligible projects that meet the 50 percent AMI requirement.**

- **Priority Need Areas:** While all applicants must serve an area of greatest need to be eligible for NSP funding, MDOC will give priority to proposals that address foreclosures and abandonment in the Priority Need Areas as defined in this Action Plan. To qualify for this criterion, an applicant is not required to use all NSP funds in the geographic location(s) defined as Priority Need Areas. The State encourages the use of local data to identify further priority need areas.

C. Definitions and Descriptions

The following section provides the State's definitions and descriptions of significant terms and program requirements.

Blighted Structure

HUD requires the State to provide a definition of "Blighted Structure". For the purpose of Montana's NSP CDBG Program, the definition of "blighted structure" can include <u>any</u> one of the following categories:

- Structures that would follow the definition under MCA 7-15-4206 part (a):
  - "Blighted Structure" means a structure that is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime, that substantially impairs or arrests the sound growth of the city or its environs, that retards the provision of housing accommodations, or that constitutes and economic or social liability or is detrimental or constitutes a menace to the public health, safety, welfare and morals in its present conditions and use by reason of substantial physical dilapidation, deterioration, age, obsolescence,

or defective construction, material, and arrangement of buildings or improvements, whether residential or non-residential.

- Units identified as "substantially substandard" or "severely substandard" according to the Point Detraction Guideline utilized in the Montana CDBG Program, Application Guidelines for Housing and Neighborhood Renewal Projects, Appendix L, as follows:
  - Substantially Substandard – Unit appears to need substantial repair. (Rehabilitation may not be cost-effective. Alternative forms of assistance may be more appropriate.)
  - Severely Substandard – Unit appears dilapidated. Demolition and housing replacement should be considered.
  - The definition of "substandard buildings" contained in the latest authorized edition of the International Property Maintenance Code published by the International Code Council. This information is available from the Montana Department of Labor and Industry (MDLI), Building Codes Bureau.
  - Any structure determined to be seriously deteriorated or dilapidated according to a locally adopted Code for the Abatement of Dangerous Buildings or similar ordinance to address the debilitating effects of blight within communities.

Affordable Rents

The State is required by HUD to provide a definition of "Affordable Rents". NSP-assisted units will carry rent and occupancy restriction requirements. The rents will be set in order that individuals pay no more than 35 percent of their gross income for rent, including utilities, or the applicable fair market rents for the area, as established annually by HUD, less any utility costs paid by the tenants, whichever is lower. Gross income will be defined according to the federal standards for the HUD Section 8 rent assistance program. **NOTE:** If the NSP-assisted unit is also assisted by funding from the HOME Program and/or the Low Income Housing Tax Credit (LIHTC) Program, the rent requirements for those programs will supersede the requirements noted here.

Continued Affordability

The State is required by HUD to provide a description of how the State will ensure "continued affordability" for NSP assisted housing. HUD requires that states ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental or redevelopment of abandoned and foreclosed upon homes and residential properties remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income (AMI). All homebuyer and rental units assisted must include provisions for long-term affordability restrictions

Homebuyer Long-Term Affordability

All homebuyer units assisted with NSP funds must include provisions for long-term affordability restrictions meeting at least the following requirements:

Subsidy Amount *(amount of NSP assistance provided to a homebuyer)*	**Minimum Affordability Period**	**Minimum Restriction**
Under $15,000	5 years	Subsidy recapture, 20% forgiveness each year
$15,000 – $40,000	10 years	Subsidy recapture, 10% forgiveness each year
Over $40,000	15 years	Subsidy recapture, 6.6% forgiveness each year
New Construction or Acquisition of Newly Constructed Single Family Housing (any $ amount)	20 years	Subsidy recapture, 5% forgiveness each year

While these are minimum requirements, the applicant may choose to implement more stringent affordability requirements than the minimum listed here to ensure that the properties remain affordable for as long as possible.

Proceeds from resale where subsidy recapture provision is used can be reinvested in eligible NSP activities within the first four program years. After that timeframe, proceeds must be returned to MDOC, which will subsequently return such amounts to the Federal Treasury in accordance with the HUD Notice for NSP.

Rental

Current HUD regulations state that all rental income above that needed for operations, maintenance and reserves is considered program income and must be returned to HUD. This provision does not provide for a sliding scale or shared return of those funds. Therefore, MDOC encourages applicants to consider the long term feasibility of assisting rental housing using these funds.

Subsidy Amount *(amount of NSP assistance provided for rentals)*	**Minimum Affordability Period**	**Minimum Restriction**
Under $15,000 per rental unit	5 years	Subsidy recapture, 20% forgiveness each year
$15,000 – $40,000 per rental unit	10 years	Subsidy recapture, 10% forgiveness each year
Over $40,000 per rental unit	15 years	Subsidy recapture, 6.6% forgiveness each year

Subsidy Amount *(amount of NSP assistance provided for rentals)*	**Minimum Affordability Period**	**Minimum Restriction**
New Construction or Acquisition of Newly Constructed Rental Housing (any $ amount)	20 years	Subsidy recapture, 5% forgiveness each year

Rent, occupancy, and affordability requirements for homebuyer and rental units will be enforced with covenants, mortgages, or deed restrictions running with the property.

The definition of "Continued Affordability" in this Action Plan for NSP funds is subject to change based upon HUD's approval of this Action Plan, and/or changes issued to the NSP Notice or interpretation of the Notice as clarified on the HUD website for this program: http://www.hud.gov/nsp. MDOC urges potential grantees to be on alert for such changes, which will be posted on the MDOC website with other NSP publications and materials: http://comdev.mt.gov/CDD_CDBG_NSP.asp.

Housing Rehabilitation Standards

The State is required by HUD to describe the "housing rehabilitation standards" that will apply to NSP assisted activities. "Rehabilitation" includes using NSP funds to make improvements to substandard residential structures. NSP housing rehabilitation or related redevelopment projects would focus on bringing housing units up to basic code standards by addressing structural deficiencies, improving electrical systems, plumbing and roofing, and incorporating energy conservation measures.

Such improvements must meet or exceed requirements contained in current editions of the HUD Section 8 Housing Quality Standards (or FHA equivalent standards) and the following most current codes adopted by the Building Codes Bureau of the Montana Department of Labor and Industry (MDLI):

- International Building Code,
- International Residential Code, (one and two-family dwellings and townhouses up to three stories in height)
- International Existing Building Code,
- Uniform Plumbing Code,
- International Mechanical Code,
- International Fuel Gas Code,
- National Electrical Code,
- International Energy Conservation Code; and
- American Society of Engineers, Boiler and Pressure Vessel Code.

Note on Energy Conservation: Communities proposing rehabilitation or new construction of residential housing units should pay particular attention to the most current edition of the International Energy Conservation Code. This code was adopted in 2004 by the Building Codes Bureau of the Montana Department of Labor and Industry. The code establishes energy conservation standards for improvements to existing residential structure or construction of new residential housing units, as well as standards for other types of construction.

For all areas outside the boundaries of Montana's tribal reservations permits must be obtained from the MDLI, Building Codes Bureau for all electrical and/or plumbing work (where a licensed plumber is performing the work) undertaken with NSP funds unless the grant recipient has been certified by the Bureau to enforce the codes cited above. In such cases, some permits will be obtained locally. The Building Codes Bureau maintains a listing of Montana counties and incorporated municipalities, which are certified to enforce building, electrical, mechanical, and plumbing codes. In those cases where the Building Codes Bureau has not certified the grant recipient, permits must be obtained from the Bureau when rehabilitation involves structures with five or more units, or any commercial or public buildings. For those structures falling within Montana's tribal reservations, tribal ordinances and related requirements apply.

Grantees will be responsible for assuring that proper authorities inspect such work. Options to provide code inspection may include interlocal agreements with governments that have existing building departments, arrangements with MDLI's Building Codes Bureau, or by contracting with qualified, private sector persons. Where possible, to preserve independence, local governments are encouraged to utilize the services of a separate individual to perform inspection services. All electrical and/or plumbing work not done by the owner of a single-family structure must be done only by electricians and/or plumbers licensed by the State of Montana.

For further information, please contact:

Building Codes Bureau/Montana Dept of Labor & Industry
301 South Park, Room 430 -- P.O. Box 200517
Helena, MT 59620-0517
Phone: (406) 841-2300
Website: http://mt.gov/dli/bsd/bc/bs_index.asp

Abandoned Property

HUD has defined "abandoned property" within the NSP Notice. As defined in the Notice, *"A home is "abandoned" when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days."*

Foreclosed Property

HUD has defined "foreclosed property" within the NSP Notice. As defined in the Notice, *"A property "has been foreclosed upon" at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law."* In order to be assisted with NSP funds any foreclosed properties cannot be occupied.

Area of Greatest Need

HUD, as mandated by HERA requires the State, to define the "Areas of Greatest Need". The State's definition of "Area of Greatest Need", as well Qualified Need Areas and Priority Need Areas, are found in Section A., Areas of Greatest Need, of this Action Plan.

Vacant Property

The State has chosen to define "vacant property" to assist eligible NSP recipients with NSP eligible use 'E'. The State has defined "vacant property" as any property that is an unoccupied structure or unoccupied parcel of land upon which no structure(s) are present.

D. Low-Income Targeting

HERA requires, "not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income." **Therefore, $4,900,000 or 25% of the total NSP allocation of $19.6 million that the State of Montana will receive must be made available for the purchase and redevelopment of abandoned or foreclosed homes or residential properties for individuals or families whose income does not exceed 50 percent of AMI. In compliance with the HERA requirement, at least one-fourth of the total funds obligated through Montana's NSP allocation will be made available for this category of NSP eligible activities.**

All applicants will be encouraged to respond to the housing needs of households that do not exceed 50 percent AMI through the criteria for RFPs. Priority will be given to any proposal that serves this low-income population category.

The State is confident that at least 25% of the total NSP allocation will be used on projects that benefit individuals or families whose incomes do not exceed 50 percent of area median income. During the public comment period, many projects were suggested

that would assist low-income residents. The following is a **potential** list of projects the State will give the highest priority of NSP funding to ensure that at least 25% of the total NSP allocation is used on foreclosed or abandoned property for this targeted group of individuals and families:

- Financial assistance and rehabilitation for individuals or families at or below 50% of AMI for homeownership of abandoned or foreclosed single family properties;
  - The State anticipates that Indian reservations will have several foreclosed or abandoned properties to provide financial assistance to Native American families for homeownership assistance.

- Financial assistance and rehabilitation of foreclosed or abandoned single family residences;

  Montana's economy has been affected by the national economic downturn. Flathead County has seen two major employers experience setbacks due to the economic downturn in the nation. Semi-Tool, a large computer component manufacturer recently laid off 100 employees. A major Flathead Valley contractor, Goose Bay Equipment Inc. has planned to lay off 58 employees and close in mid-February 2009. During a recent conversation with the Flathead County Clerk and Recorder office, MDOC was told that Flathead County is experiencing up to five foreclosures a day.

  The timber industry is also feeling the effects of the economic downturn. RY Timber sawmill in Townsend laid off 90 production workers at the beginning of December 2008. RY's Livingston sawmill has also laid off 100 workers for two weeks. The company produces timber studs and ships most of its lumber to New York, Chicago and the Midwest. Additionally, Plum Creek Timber in Flathead County recently laid off 68 workers. Mills have slowed production or ceased production altogether across the West as the demand for lumber has stagnated.

  In all of these examples, these small communities and counties are in a difficult situation; many have only a single large employer. Many families have lost high paying jobs and are now facing a crisis about how to support their home and family. The loss of employment also affects the businesses and services in the community, the county, and the state as a whole.

  Consequently, the affected communities are seeing an acceleration in the number of foreclosed and abandoned properties. The State of Montana anticipates that these communities will be able to use MDOC's recently-collected data or provide verifiable local data to demonstrate a high concentration of foreclosed or abandoned homes to justify the need for NSP funds. The communities will rehabilitate and either rent multifamily

residences or sell single-family residences to families at or below 120% of AMI, with priority given to families at or below 50% AMI.

- Rehabilitation of foreclosed or abandoned multi-family residences;
  - The State anticipates that these communities will be able to provide verifiable local data demonstrating their high concentration of foreclosed or abandoned multi-family residences to infuse NSP funds within their communities to rehabilitate and rent the multifamily residences or sell these single-family residences to assist families at or below 50% of AMI.

- New construction or rehabilitation of abandoned and foreclosed properties to provide long-term residential facilities for seniors, persons with disabilities, and homeless youth;
  - The State anticipates that several abandoned or foreclosed properties will be rehabilitated and provide long-term residences for these specific groups.

If the State does not receive foreclosure-related proposals totaling at least 25% of the NSP funds (one-fourth of the total funds obligated through Montana's NSP allocation or $4,900,000) for this population group as required by statute, MDOC may delay awarding grants for NSP eligible activities D and E until additional eligible foreclosure-related proposals/activities (NSP activities A, B and C) are identified to meet this requirement. MDOC can only expend NSP funds for activities D and E in relative proportion to the 25 percent requirement. If MDOC did authorize projects that do not conform to the 25 percent requirement, MDOC could be liable for reimbursing those funds back to HUD under NSP regulations. MDOC may choose to solicit additional NSP proposals, unilaterally modify grant request amounts, and/or identify other eligible projects that meet the 50 percent AMI requirement.

E. Acquisition and Relocation

While HUD waived the "one-for-one" requirement to replace all housing units for low and moderate-income households that are lost due to demolition or modification of housing, the HUD Notice on NSP requires information about how such losses will be mitigated. (One-for-one replacement is required under the regular CDBG program as found in 24 CFR 42.375, "All occupied and vacant occupiable lower-income dwelling units that are demolished or converted to a use other than as lower-income dwelling units in connection with an assisted activity must be replaced with comparable lower-income dwelling units.")

MDOC has received comments that many occupied and unoccupied mobile homes and 'stick-built' homes are considered unsuitable for habitation and have serious health and safety concerns. Some of these health and safety concerns include the presence of mold, asbestos, chemical contamination from methamphetamine labs and use, or

extremely high energy costs associated with inadequate insulation and inefficient heating and cooling systems. The eligible uses of NSP would allow reservations and Montana communities to address the unhealthy and unsafe homes that are in poor condition only through voluntary demolition and the provision of replacement housing, while at the same time, allowing new opportunities for redevelopment of vacant properties.

No proposed project will be considered for NSP funding that involves forced or involuntary displacement of the resident. The State will not exercise eminent domain under any circumstances for projects utilizing NSP funds. The State anticipates some NSP proposals will provide relocation and down payment assistance to residents who voluntarily elect to demolish their unsafe and unhealthy unit and replace it with a home that is safe and fit for habitation.

The State anticipates that some of the unsafe and unhealthy homes may be foreclosed or abandoned. Because the primary use of NSP funds is to address foreclosed or abandoned properties, these projects will receive priority funding. However, if funds remain available after the Montana NSP funds have addressed foreclosed and abandoned properties, the State will consider projects that address removal of blight (NSP eligible activity D) and/or redevelopment of vacant or demolished properties (NSP eligible activity E).

The State will consider projects that propose a voluntary demolition of an occupied residence that is considered unsuitable for habitation that will assist families at or below 120% AMI. Relocation assistance for households of occupied units that are proposed for demolition must be voluntary, as demonstrated by appropriate documentation. The individual or family will receive assistance according to the Uniform Relocation Act. No resident will be forcibly removed from the occupied property and the State will not exercise eminent domain under any circumstances for projects utilizing NSP funds. The following section notes the proposed efforts to demolish or convert housing units using NSP funding sources:

- Montana proposes to demolish or convert approximately 180 low or moderate income dwelling units, not to exceed 80% of AMI.
- Montana expects to make available approximately 125 affordable housing units for low, moderate, and middle-income households, not to exceed 120% AMI.
- Within that total number of housing units, approximately 35 units will be available for low-income households, not to exceed 50% AMI.

F. Public Comment

This application includes a summary of public comments received regarding Montana's proposed NSP Substantial Amendment in Appendix D.

Prior to the publication of this amendment, the State of Montana encouraged initial comments from the public to assist in drafting this amendment. The following is a list of presentations or conferences regarding NSP involving MDOC staff prior to November 13, 2008, the date of publication of the amendment:

NSP Presentations Given Statewide

- League of Cities and Towns in Missoula on October 9, 2008.
- Montana Association of Counties in Hamilton on September 24, 2008.
- Four statewide housing workshops held at the following locations:
  - Glendive – October 15, 2008
  - Billings – October 16, 2008
  - Missoula – October 29, 2008
  - Great Falls – October 30, 2008
- A two-hour statewide combined Go-to-Webinar (internet-based conference call) and METNET (video-conferencing) on November 20. MDOC staff presented this amendment and provided an opportunity for comments and questions.

NSP Presentations Given to all Montana Tribes

- Conference call with representatives of several Montana reservations, Governor's Office of Economic Development, and local HUD Field Representatives on October 5, 2008.
- A two-hour statewide combined Go-to-Webinar (internet-based conference call) and METNET (video-conferencing) on November 20. MDOC staff presented this amendment and provided an opportunity for comments and questions.
- A meeting on November 21 in Billings with representatives of several Indian tribes, reservations and a representative of NeighborWorks Montana to discuss how NSP funds can be used by Montana's tribes.

General Public Correspondence to NSP

- Numerous e-mail's, letters and phone calls with elected officials and non-profit organizations.

Persons who commented on the draft amendment were encouraged to send those comments to:

Leslie Edgcomb
Consolidated Plan Coordinator
Montana Department of Commerce
Housing Division
301 S. Park Ave, 2nd Floor

Jennifer Olson
CDBG Program Specialist
Montana Department of Commerce
Community Development Division
301 S. Park Ave, 2nd Floor

P.O. Box 200545
Helena, MT 59620
ledgcomb@mt.gov

P.O. Box
Helena, MT 59620
jeolson@mt.gov

Comments were considered that were received by 5 p.m. on November 27, 2008.

G. NSP Information by Activity

ACTIVITY A: Establish Financing Mechanisms

- Description: Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.

(1) Activity Name: Establishing financing mechanism.

(2) Activity Type:

NSP-Eligible Uses	Correlated Eligible Activities from the CDBG Entitlement Regulations
(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers	▪ As part of an activity, delivery cost for an eligible activity as defined in 24 CFR 570.206. ▪ 24 CFR 570.201(n) Direct homeownership assistance

(3) National Objective:

a. Provides or improves permanent residential structures that will be occupied by households at or below 120% of area median income (AMI); or

b. Serves residents with incomes at or below 120 percent of the median income.

(4) Activity Description: While the exact financing mechanisms will depend on the specific projects funded through the RFP process described in Section B, each financing mechanism will be established for one or both of the following purposes:

1. To acquire foreclosed or abandoned homes for resale or rent to qualified LMMI families or individuals; and/or
2. To subsidize the purchase of homes by assisting homeowners with down payment assistance or providing a soft second mortgage.

The acquisition activities benefit LMMI persons by creating an opportunity for purchase or rental and by putting foreclosed homes back into productive use. Down payment assistance will assist low-income persons by assisting them to purchase homes that they would be otherwise unable to purchase. The MDOC anticipates that a portion of these funds will be used to create permanent housing opportunities for households with incomes below 50% of area median income.

(5) Location Description: Projects will be located in Areas of Greatest Need within Montana, with a priority emphasis on projects in the Priority Need Areas.

(6) Performance Measures:

- ☑ Completion: Acquisition within 4 months of agreement; occupancy within 12 months of agreement.
- ☑ Occupancy: (1) percent of units occupied by below 120% area median income; (2) percent of units by below 80% area median income; and (3) percent of units occupied by below 50% area median income.
  - ☑ Affordability period: Units years of affordability produced.
  - ☑ Substandard units improved to standard.

(7) Total Budget: Based on the HUD data and the communities' responses, MDOC will allocate approximately 20% of NSP Project Funds to these activities, but the final amount will be based on projects selected from responses to the RFP.

If the Montana NSP funds designated for this activity are not awarded toward a specific location or project, the State reserves the right to reallocate the remaining balance of unobligated funds to another designated activity or activities in this action plan.

(8) Responsible Organization: MDOC CDD will review RFPs from local governments and tribes and make awards based on criteria established for the program. Specific awardees will be named upon evaluation of the responses to the RFP.

(9) Projected Start Date: March 2009

(10) Projected End Date: February 2014

(11) Specific Activity Requirements:

- **Tenure:** This activity will include both rental and homeownership units.
- **Duration of Assistance:** Will vary.
- **Extended Affordability:** Applicants will be allowed to propose the continued affordability model for each project including the period of sustained affordability for the project and the legal means by which the affordability will be ensured. The standard will be the minimum term allowable as stated in this amendment. Applicants may either impose a deed restriction to ensure continued affordability or require subsidy recapture and/or mortgage repayment for failure to complete the minimum term of affordability.
- **Discount Rate:** In all cases, financing the acquisition of foreclosed-upon properties will be in compliance with section 2301(d)(1) of HERA that requires that each foreclosed-upon home or residential property be purchased at a

discount of at least 5% from the current market-appraised value. Properties purchased in the aggregate must be discounted by at least 15%.

- **Range of Interest Rates**: These will vary depending on the specific projects selected, will likely be as low as 0% and up to market rate.

ACTIVITY B: Purchase and Rehabilitate Abandoned or Foreclosed Upon Homes and Residential Properties

➢ Description: Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon.

(1) Activity Name: Purchase and Rehabilitate homes and residential properties that have been abandoned or foreclosed upon.

(2) Activity Type:

NSP-Eligible Uses	Correlated Eligible Activities from the CDBG Entitlement Regulations
(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties	▪ 24 CFR 570.201 (a) Acquisition (b) Disposition, (i) Relocation, and (n) Direct homeownership assistance (as modified below); ▪ 570.202 eligible rehabilitation and preservation activities for homes and other residential properties (HUD notes that rehabilitation may include counseling for those seeking to take part in the activity). ▪ As part of an activity, delivery cost for an eligible activity as defined in 24 CFR 570.206.

(3) National Objective:

a. Provides or improves permanent residential structures that will be occupied by households at or below 120% of AMI; or

b. Serves residents with incomes at or below 120 percent of the median income.

(4) Activity Description: This activity will benefit LMMI persons by creating a stock of homes for purchase or rental and by putting abandoned or foreclosed homes back into productive use. MDOC anticipates that a portion of these funds will be

used to create permanent housing opportunities for households with incomes below 50% of area median income.

Rehabilitation projects will meet housing rehabilitation standards and affordability standards outlined in this Amendment.

The State will give priority consideration to proposals, under this eligible NSP activity, which will purchase abandoned and foreclosed properties and/or rehabilitate them in order to sell or rent them to families or individuals at or below 120% of AMI. First priority will be given to proposals that assist families or individuals at or below 50% of AMI. Multi-family or single-family proposals will be considered under this eligible activity.

(5) Location Description: Projects will be located in Areas of Greatest Need within Montana, with a priority emphasis on projects in the Priority Need Areas.

(6) Performance Measures:

- ☑ Completion: Acquisition within 3 months of agreement.
  - ☑ Affordability period: Units years of affordability produced.
  - ☑ Substandard units improved to standard.

(7) Total Budget: Based on comments received prior to publishing the amendment it is estimated that 45% of NSP Project Funds will be allocated to these activities, but the final amount will be based on projects selected from responses to the RFP.

If the Montana NSP funds designated for this activity are not awarded toward a specific location or project, the State reserves the right to reallocate the remaining balance of unobligated funds to another designated activity or activities in this Action Plan Amendment.

(8) Responsible Organization: The MDOC CDD will review applications from local governments and tribes and make awards based on criteria established for the program. Specific awardees will be named upon evaluation of the responses to the RFP.

(9) Projected Start Date: March 2009

(10) Projected End Date: February 2014

(11) Specific Activity Requirements:

- **Tenure**: This activity will include both rental and homeownership units.
- **Duration of Assistance**: Will vary.
- **Extended Affordability**: Applicants will be allowed to propose the continued affordability model for each project including the period of sustained

affordability for the project and the legal means by which the affordability will be ensured. The standard will be the minimum term allowable as stated in this amendment. Applicants may either impose a deed restriction to ensure continued affordability or require subsidy recapture and/or mortgage repayment for failure to complete the minimum term of affordability.

- **Discount Rate**: In all cases, financing the acquisition of foreclosed-upon properties will be in compliance with section 2301(d)(1) of HERA that requires that each foreclosed-upon home or residential property be purchased at a discount of at least 5 percent from the current market-appraised value. Properties purchased in the aggregate must be discounted by at least 15 percent.
- **Range of Interest Rates**: N/A.

ACTIVITY C: Establish Land Banks

➢ Description: Establish land banks for homes that have been foreclosed upon.

(1) Activity Name: Establish land banks for homes that have been foreclosed upon.

(2) Activity Type:

NSP-Eligible Uses	Correlated Eligible Activities from the CDBG Entitlement Regulations
(C) Establish land banks for homes that have been foreclosed upon	▪ 24 CFR 570.201 (a) Acquisition ▪ As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206.

(3) National Objective: To serve residents having incomes at or below 120 percent of the median income.

(4) Activity Description: Land banks will be a small part of the State's NSP program. Land banks will be restricted to areas that demonstrate conclusively to the State that there is a supply of foreclosed homes in substantial excess to the population of that area and that there is not a viable development alternative in those areas. Land banks will create legal entities to purchase and hold foreclosed homes and ensure that those homes are safe and not blight in the neighborhoods. Land banks will assist in making these homes community assets while waiting for a re-sale market for those properties to develop. Land banks funded with NSP must have plans for the sale or disposition of all homes acquired within **ten years** of acquiring the homes, however, disposition activities may not be funded with NSP funds.

The creation of land banks will benefit low income persons primarily by ensuring that the foreclosed homes in low income neighborhoods will be maintained in a safe productive way for such neighborhoods. Land banks will not create permanent housing opportunities for households with incomes below 50% of area median income.

If the NSP funds designated for this activity are not awarded toward a specific location or project, the State reserves the right to move the remaining funds to another designated activity or activities in this Action Plan Amendment.

(5) Location Description: Projects will be located in Areas of Greatest Need within Montana, with a priority emphasis on projects in the Priority Need Areas.

(6) Performance Measures:

☑ Completion: Acquisition within 3 months of agreement.

(7) Total Budget: Based on comments received prior to publishing the amendment it is estimated that approximately 5% of NSP Project Funds will be allocated to these activities, but the final amount will be based on projects selected from responses to the RFP.

If the Montana NSP funds designated for this activity are not awarded toward a specific location or project, the State reserves the right to reallocate the remaining balance of unobligated funds to another designated activity or activities in this action plan.

(8) Responsible Organization: The MDOC CDD will review applications from local governments and tribes and make awards based on criteria established for the program. Specific awardees will be named upon evaluation of the responses to the RFP.

(9) Projected Start Date: March 2009

(10) Projected End Date: February 2014

(11) Specific Activity Requirements:

- **Tenure**: This activity will include both rental and homeownership units.
- **Duration of Assistance:** Will vary.
- **Extended Affordability:** Applicants will be allowed to propose the continued affordability model for each project including the period of sustained affordability for the project and the legal means by which the affordability will be ensured. The standard will be the minimum term allowable as stated in this amendment. Applicants may either impose a deed restriction to ensure continued affordability or require subsidy recapture and/or mortgage repayment for failure to complete the minimum term of affordability.

- **Discount Rate:** In all cases, financing the acquisition of foreclosed-upon properties will be in compliance with section 2301(d)(1) of HERA that requires that each foreclosed-upon home or residential property be purchased at a discount of at least 5 percent from the current market-appraised value. Properties purchased in the aggregate must be discounted by at least 15 percent.
- **Range of Interest Rates**: N/A.

(12) Additional Clarification:

- Some confusion has arisen regarding the distinction between "land banks" and "land trusts". For the purposes of this Action Plan Amendment, "land banks" are defined as the purchase of real estate by a public entity or non-profit organization with no commitment to subsequent redevelopment or provision of affordable housing. The implementing October 6, 2008 NSP regulations from HUD discourage those situations where the proposal is simply to establish a land bank and merely acquire property rather than carrying out other activities intended to arrest neighborhood decline, such as demolition or facilitating redevelopment of the property. HUD does not believe the benefits of just holding property are sufficient to stabilize most neighborhoods, or that this is the best use of limited NSP funds, absent a redevelopment plan. **Therefore, NSP regulations require that a land bank may not hold a property for more than ten years without obligating the property for a specific, eligible redevelopment activity in accordance with NSP requirements.**

- In contrast, community land trusts are a real estate ownership mechanism whereby the land on which a unit is constructed is held in trust, usually in perpetuity. NSP applicants are welcome to propose the use of land trusts under NSP eligible uses B and E; so long, as they demonstrate that the objectives and tight time frames of the NSP program can be achieved.

ACTIVITY D: Demolish Blighted Structures

➢ Description: Demolish blighted structures

(1) Activity Name: Demolish blighted structures.

(2) Activity Type:

NSP-Eligible Uses	Correlated Eligible Activities from the CDBG Entitlement Regulations
(D) Demolish blighted structures	▪ 24 CFR 570.201 (d) Clearance for blighted structures only. ▪ As part of an activity, delivery cost for an eligible activity as defined in 24 CFR 570.206.

(3) National Objective: To serve residents having incomes at or below 120 percent of the median income.

(4) Activity Description: The State will consider proposals that include demolition activities that have a recognizable impact. Demolition will be restricted to Areas of Greatest Need that demonstrate conclusively to the State that the demolition of the structures in question are considered unsuitable for habitation due to health or safety concerns, will facilitate neighborhood redevelopment, and that there is not a cost-effective development alternative for those structures. The State will not exercise eminent domain under any circumstances for projects utilizing NSP funds.

Proposals for demolition of occupied structures that are considered unsuitable for habitation will be completed only with residents who voluntarily elect to demolish their unit, for replacement with a suitable, safe and sanitary unit. Additionally all residents will be given the appropriate notices and protections found in the Uniform Relocation Act. No proposal will be considered that forcibly removes a resident nor that permanently displaces them.

The demolition of blighted structures under the NSP program will benefit low income persons primarily by ensuring that blighted structures in low income neighborhoods will not continue to be a nuisance and health and safety hazards in the community. Demolition will not create permanent housing opportunities for households with incomes below 50% of area median income.

The State anticipates that some of the unsafe and unhealthy homes may be foreclosed or abandoned; because the primary use of NSP funds is to address foreclosed or abandoned properties these projects will receive priority for funding.

(5) Location Description: Projects will be located in Areas of Greatest Need within Montana, with a priority emphasis on projects in the Priority Need Areas.

(6) Performance Measures:

☑ Completion: Demolition within 3 months of agreement.

(7) Total Budget: Based on comments received prior to publishing the amendment it is estimated that approximately 10% of NSP Project Funds will be allocated to these activities, but the final amount will be based on projects selected from responses to the RFP.

The average costs for demolition per unit is estimated to be between $7,000 to $11,000, based on real costs experienced in Montana CDBG projects. The State estimates that it may fund demolition of approximately 180 units that may or may not be occupied.

If the Montana NSP funds designated for this activity are not awarded toward a specific location or project, the State reserves the right to reallocate the remaining balance of unobligated funds to another designated activity or activities in this Action Plan Amendment.

(8) Responsible Organization: The MDOC CDD will review applications from local governments and reservations and make awards based on criteria established for the program. Specific awardees will be named upon evaluation of the responses to the RFP.

(9) Projected Start Date: March 2009

(10) Projected End Date: February 2014

(11) Specific Activity Requirements: All specific activity requirements are not applicable to demolition.

(12) Additional Clarification:

- Potential applicants for NSP should pay particular attention to the NSP eligible use 'D' activity, which allows demolition of deteriorated or dilapidated structures. Due to a combination of several factors, many Montana communities have significant numbers of vacant or even occupied, seriously dilapidated structures that constitute a serious negative effect on property values, discourage community reinvestment, and pose a threat to public safety and health. Under the NSP Program, communities can identify the blighted residential properties and utilize the NSP funds to demolish vacant or even occupied (if done on a voluntary basis and provide assistance to the resident according to the Uniform Relocation Act) deteriorated or dilapidated structures, and provide quality replacement housing for the assisted household. This option also provides the opportunity to replace aged, unsafe, unhealthy deteriorated mobile homes with decent housing. (See activity E)

ACTIVITY E: Redevelop Demolished or Vacant Properties

➢ Description: Redevelop demolished or vacant properties.

(1) Activity Name: Redevelop demolished or vacant properties.

(2) Activity Type:

NSP-Eligible Uses	Correlated Eligible Activities from the CDBG Entitlement Regulations
(E) Redevelop demolished or vacant properties	▪ 24 CFR 570.201 (a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties, (i) Relocation, and (n) Direct homeownership assistance (as modified below). ▪ "204 Community Based Development Organizations."

(3) National Objective(s):

(a) provides or improves permanent residential structures that will be occupied by households at or below 120% of area median income; or

(b) serves residents having incomes at or below 120 percent of the median income.

(4) Activity Description: The redevelopment of demolished or vacant properties is a relatively broad use that will incorporate a number of different projects, to be chosen in Areas of Greatest Need and based on the State's RFP process. The State will prioritize redevelopment projects that create new housing units (both rental and homeownership) for low-moderate-middle income households, as defined by the Notice. Other redevelopment projects eligible under the Notice, such as mixed use residential and commercial development, will be considered.

The redevelopment of demolished or vacant properties will benefit LMMI persons in a number of ways including returning demolished or vacant properties to productive use and by which create new housing units (both rental and homeownership) for low-moderate-middle income households, as defined by the

Notice. The redevelopment of demolished or vacant properties will create permanent housing opportunities for households with incomes below 50% of area median income.

The State will consider proposals that redevelop vacant or demolished properties to provide multi-family or single-family housing units for families or individuals at or below 120% of AMI.

The State anticipates that some of the unsafe and unhealthy homes may be foreclosed or abandoned; because the primary use of NSP funds is to address foreclosed or abandoned properties these projects will receive priority for funding.

(5) Location Description: Projects will be located in Areas of Greatest Need within Montana, with a priority emphasis on projects in the Priority Need Areas.

(6) Performance Measures:

- ☑ Completion: Acquisition within 3 months of agreement; occupancy to be complete within 4 years from the date that HUD approves this amendment.
- ☑ Occupancy: Number of units occupied by below 120% area median income, number of units by below 80% area median income; number of units occupied by below 50% area median income.
  - ☑ Affordability period – units years of affordability produced.
  - ☑ Substandard units improved to standard.

(7) Total Budget: Based on comments received prior to publishing the amendment it is estimated that, approximately 15% of NSP Project Funds may be allocated to these activities, but the final amount will be based on projects selected from responses to the RFP.

If the Montana NSP funds designated for this activity are not awarded toward a specific location or project, the State reserves the right to reallocate the remaining balance of unobligated funds to another designated activity or activities in this Action Plan Amendment.

(8) Responsible Organization: The MDOC CDD will review applications from local governments and reservations and make awards based on criteria established for the program. Specific awardees will be named upon evaluation of the responses to the RFP.

(9) Projected Start Date: March 2009

(10) Projected End Date: February 2014

(11) Specific Activity Requirements:

- **Tenure**: This activity will include both rental and homeownership units.
- **Duration of Assistance:** Will vary.
- **Extended Affordability:** Applicants will be allowed to propose the continued affordability model for each project including the period of sustained affordability for the project and the legal means by which the affordability will be ensured. The standard will be the minimum term allowable as stated in this amendment. Applicants may either impose a deed restriction to ensure continued affordability or require subsidy recapture and/or mortgage repayment for failure to complete the minimum term of affordability.
- **Discount Rate:** In all cases, financing the acquisition of foreclosed-upon properties will be in compliance with section 2301(d)(1) of HERA that requires that each foreclosed-upon home or residential property be purchased at a discount of at least 5 percent from the current market-appraised value. Properties purchased in the aggregate must be discounted by at least 15 percent.
- **Range of Interest Rates:** N/A.

H. TOTAL BUDGET

Based on comments received prior to publishing the final amendment, the State of Montana has developed an estimated budget across each NSP activity. These are approximations and may change based on responses received in the RFP process. Please Note: HERA requires that for every one dollar obligated to projects serving families at 50% of AMI for the purchase or redevelopment of foreclosed or abandoned homes, three dollars can be obligated to any other eligible NSP activities. MDOC will obligate and expend $4,900,000 on foreclosure-related projects under eligible activities A, B and C that will assist families and individuals at or below 50% AMI. **Therefore, MDOC will give first priority funding to those foreclosure-related proposals that will meet the 50 percent (low income) area median income (AMI) requirement.** Additionally, MDOC will give priority funding to those foreclosure-related projects under eligible uses A and B that assist families or individuals at or below 120% of AMI. If MDOC does not receive proposals totaling at least 25 percent of the NSP funds for this income group as required by statute, MDOC will delay awarding grants for NSP eligible activities that serve households above 50% AMI until additional eligible proposals /activities are identified to meet this requirement. MDOC may choose to solicit additional NSP proposals, unilaterally modify grant request amounts, and/or identify other eligible projects that meet the 50 percent (low income) AMI requirement.

If the Montana NSP funds designated for an activity are not awarded toward a specific location or project, the State reserves the right to reallocate the remaining balance of unobligated funds to another designated activity or activities in this Action Plan Amendment.

TOTAL MONTANA NSP BUDGET – January 20, 2008

NSP Activity / Category	Subtotals	Amounts	Percent of Total
A. Financing Mechanisms			
Local Project Cost	$ 3,724,000		
Local Admin	$ 196,000		
		$ 3,920,000	20.00%
B. Acquisition/Rehabilitation			
Project Cost	$ 8,330,001		
Local Admin	$ 438,421		
		$ 8,768,422	45.00%
C. Land Banks			
Project Cost	$ 931,000		
Local Admin	$ 49,000		
		$ 980,000	5.00%
D. Demolition			
Project Cost	$ 1,862,000		
Local Admin	$ 98,000		
		$ 1,960,000	10.00%
E. Redevelop/ New Construction			
Project Cost	$ 2,793,000		
Local Admin	$ 147,000		
		$ 2,940,000	15.00%
State Admin Activities			
State Admin	$ 1,031,578		5.00%
		$ 1,031,578	
TOTAL		**$19,600,000**	**100.00%**

Please note: Of the entire $19,600,000 NSP allocation, a minimum of $4,900,000 will be awarded to projects activities for foreclosed or abandoned properties under eligible activities A, B and C that will assist families or individuals at or below 50% AMI.

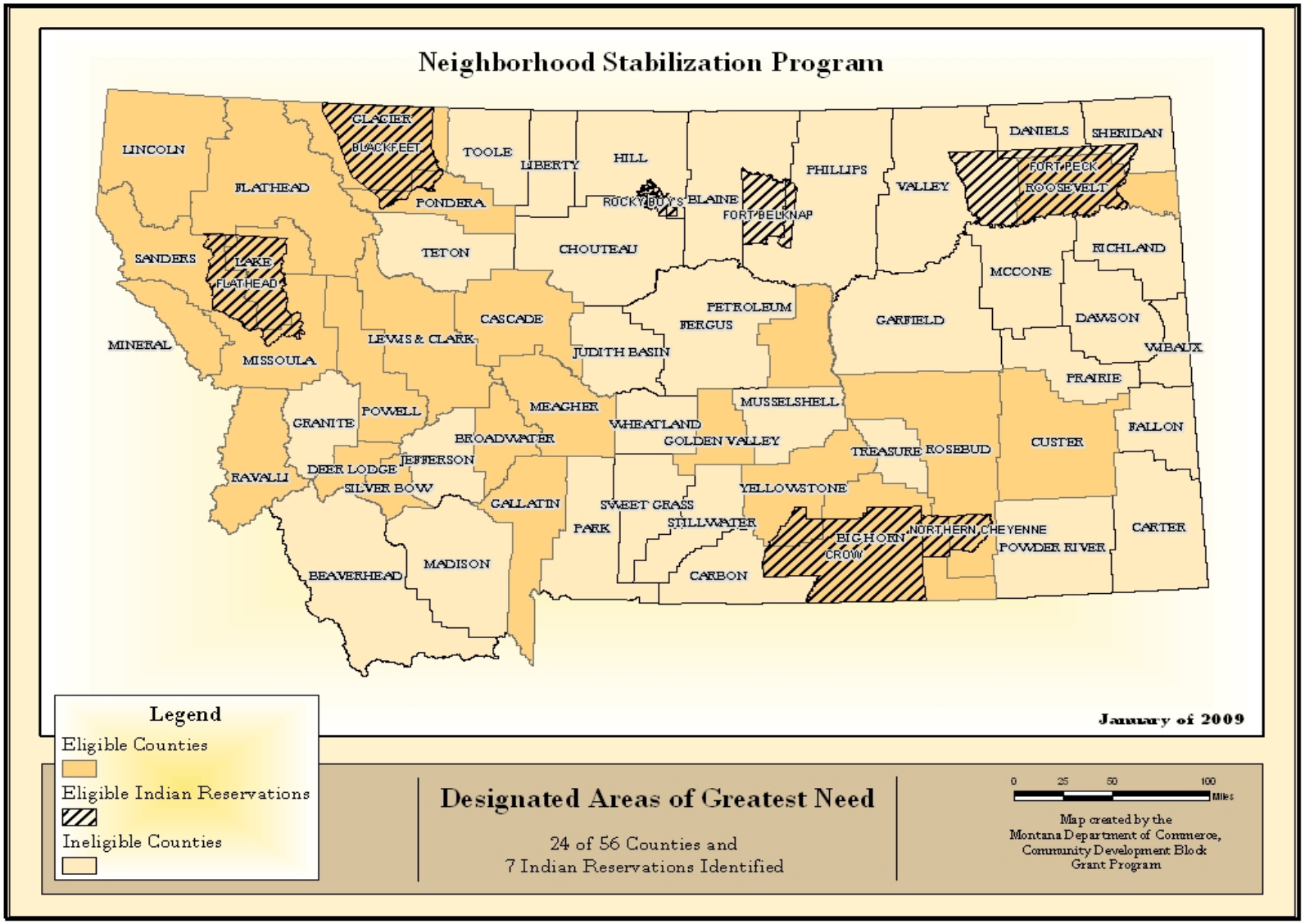
I. PERFORMANCE MEASURES

Below is a summary of the State's expected budget for the use of NSP funds. These numbers are subject to change once local project proposals are approved by the State. MDOC can also provide the number of units broken out by income category once those projects are approved. MDOC will also provide information on progress of fulfilling these measures as required by the reporting procedures outlined in the HUD Notice.

	Housing Units
Financed	125
Acquisition / Rehab	50
Land Bank	5
Demolished	180
New Construction	75

Appendices

Appendix A – Maps



Appendix B – Notice of Trustee Sales

Data Collected by Montana Department of Commerce December 2008

County Name	Number of Trustee Sales in 2008
Carter	0
Garfield	0
Petroleum	0
Powder River	0
Prairie	0
Treasure	0
Wibaux	0
Golden Valley	1
Judith Basin	1
McCone	1
Blaine	2
Daniels	2
Fallon	2
Liberty	2
Rosebud	2
Sheridan	2
Glacier	3
Meagher	3
Chouteau	4
Teton	4
Dawson	5
Wheatland	5
Phillips	6
Granite	7
Richland	7
Roosevelt	10
Beaverhead	11
Sweet Grass	11
Valley	11

County Name	Number of Trustee Sales in 2008	
Toole	11	
Big Horn	12	
Musselshell	13	
Fergus	14	
Madison	17	
Hill	19	
Mineral	19	
Custer	20	
Pondera	22	
Broadwater	23	
Powell	24	
Jefferson	27	
Stillwater	31	
Carbon	33	
Lincoln	37	
Deer Lodge	40	
Sanders	42	
Park	62	
Lake	87	
Silver Bow	93	
Lewis and Clark	173	High Notices of Trustee Sales
Ravalli	218	
Cascade	256	
Missoula	285	
Gallatin	305	
Yellowstone	364	
Flathead	442	
Total Trustee Sales	2,770	

Appendix C – Housing Information

Housing Information Collected from the Reservations

Reservation	Contact	Tribe(s)	# of Mutual Self-Help Houses	% in Default	# of Vacant	% in Sub-standard Condition	# on Waiting List	Avg # of New Homes Built/Yr 2003-2008	Median Household Income	% Unemploy Rate per BIA
Apsaalooke (Crow)	Martha Carr 638-2665 x 107	Crow	384				50	1	$27,044.00	46.5%
Blackfeet	Ray Wilson 338-7942 Clarence Gilham 406-450-8461	Blackfeet	331	70.0%	20	80.0%	470	0	$24,646.00	68.5%
Flathead	Sharon Earth Boy 675-4491 x 1546	Salish Kootenai	62 (260)	3 in default	2	10.0%	353	0	$27,424.00	7.9%
Flathead Information Continued -->		CSK Tribal Credit Program - 373	CSK Tribal Credit Program - 373	24.0%	8			"	"	
Fort Belknap	Pearl Gray Boy	Gros Ventre Assiniboine	117 (430 conveyed)	96.0%	83	60.0%	68	0	$21,225.00	69.6%
Fort Peck	Iva Grainger	Assiniboine Sioux	0 (All have been conveyed.)	0.0%	3	0.0%	142	6	$23,905.00	53.5%
Northern Cheyenne	Frank Headswift	Northern Cheyenne	103	87.30%	33	100.0%	312	10	$23,679.00	59.8%
Rocky Boy	Sue Hay	Chippewa Cree	241	70.0%	5	90.0%	580	4	$22,474.00	67.9%
									$24,342.43	
								White MT AMI	$38,638.00	
									63.0%	
								Nat'l AMI	$49,133.00	
									49.5%	

Appendix C cont. – Housing Information

USDA/Rural Development SFHD Active Foreclosure Actions

Servicing County Name	Borrower County Code	Bankruptcy Flag	Date Foreclosure Approval	Security Flag	FCL Count
Great Falls Office	Hill	C	01/10/08	LEVERAGED	1
	Teton			FIRST MORTGAGE	1
	Blaine		11/24/06	LEVERAGED	1
	Hill		09/16/05	LEVERAGED	1
	Toole		01/07/08	FIRST MORTGAGE	1
	Toole			FIRST MORTGAGE	1
	Hill		10/23/08	LEVERAGED	1
	Judith Basin		07/17/07	LEVERAGED	1
	Phillips		10/30/07	FIRST MORTGAGE	1
	Judith Basin		08/04/08	FIRST MORTGAGE	1
	Fergus		03/06/08	LEVERAGED	1
	Teton	C		FIRST MORTGAGE	1
	Toole	C	01/18/02	FIRST MORTGAGE	1
	Blaine		02/21/03	LEVERAGED	1
	Pondera		11/06/08	FIRST MORTGAGE	1
Total					15
Kalispell Office	Flathead		11/06/08	FIRST MORTGAGE	1
	Lake		08/29/07	FIRST MORTGAGE	1
	Flathead		03/24/08	FIRST MORTGAGE	1
	Lake			JUNIOR MORTGAGE	1
	Lincoln			JUNIOR MORTGAGE	1
	Lincoln			FIRST MORTGAGE	1
	Glacier		09/21/04	FIRST MORTGAGE	1
	Flathead			JUNIOR MORTGAGE	1
	Lincoln			JUNIOR MORTGAGE	1
	Flathead		08/03/00	LEVERAGED	1
	Lincoln		08/13/08	FIRST MORTGAGE	1
	Glacier		12/06/06	FIRST MORTGAGE	1
	Lake		06/20/08	FIRST MORTGAGE	1
	Glacier			LEVERAGED	1
	Glacier		07/28/99	FIRST MORTGAGE	1
	Flathead		08/11/08	LEVERAGED	1
	Flathead		04/23/08	FIRST MORTGAGE	1
	Glacier		09/04/08	LEVERAGED	1
	Flathead		10/23/08	FIRST MORTGAGE	1
	Lincoln		06/05/06	LEVERAGED	1
	Flathead		10/23/08	FIRST MORTGAGE	1
	Glacier		12/08/00	FIRST MORTGAGE	1
Total					22

Data continued on next page.

USDA/Rural Development SFHD Active Foreclosure Actions - Continued

Servicing County Name	Borrower County Code	Bankruptcy Flag	Date Foreclosure Approval	Security Flag	FCL Count
Bozeman Office	Sweetgrass		07/02/08	FIRST MORTGAGE	1
	Park			FIRST MORTGAGE	1
	Lewis & Clark		10/23/08	LEVERAGED	1
	Stillwater		01/23/99	FIRST MORTGAGE	1
	Park		10/22/08	FIRST MORTGAGE	1
Total					5
Missoula Office	Sanders	C	04/29/08	LEVERAGED	1
	Ravalli		10/23/08	LEVERAGED	1
	Sanders	C		JUNIOR MORTGAGE	1
	Missoula	C		FIRST MORTGAGE	1
	Missoula	C	10/15/07	FIRST MORTGAGE	1
	Ravalli		05/01/08	LEVERAGED	1
Total					6
Billings Office	Musselshell		12/20/04	FIRST MORTGAGE	1
	Roosevelt		06/28/05	FIRST MORTGAGE	1
	Big Horn			JUNIOR MORTGAGE	1
	Big Horn		11/06/08	FIRST MORTGAGE	1
	Roosevelt		09/04/08	FIRST MORTGAGE	1
	Big Horn		08/18/01	FIRST MORTGAGE	1
	Sheridan	C	07/18/01	FIRST MORTGAGE	1
	Valley		07/07/04	LEVERAGED	1
	Big Horn		08/11/08	PROMISSORY NOTE	1
	Rosebud	C	06/18/02	FIRST MORTGAGE	1
	Big Horn		09/28/00	FIRST MORTGAGE	1
	Roosevelt		09/27/06	LEVERAGED	1
	Roosevelt		03/02/05	FIRST MORTGAGE	1
	Big Horn		07/15/05	FIRST MORTGAGE	1
	Sheridan		06/09/06	LEVERAGED	1
	Roosevelt		09/06/05	LEVERAGED	1
	Yellowstone	C	01/18/08	LEVERAGED	1
	Big Horn			FIRST MORTGAGE	1
	McCone		08/13/08	FIRST MORTGAGE	1
	Roosevelt		11/30/05	LEVERAGED	1
	Big Horn		07/29/08	FIRST MORTGAGE	1
	Roosevelt		10/22/08	FIRST MORTGAGE	1
Total					22
State Total					70

Appendix D – Summary of Public Comments on Montana's NSP Amendment

MDOC received the following comments on Montana's draft action plan amendment for the Neighborhood Stabilization Program during the 15 day public comment period held November 13 through November 27, 2008. Comments were grouped according to common subject areas. MDOC responses are as follows:

I. PROCESS

1. Please consider how difficult it is to design, build, and sell or lease up within the 12 month limit for redevelopment of demolished or vacant properties, especially if procurement is involved.

   MDOC Response:
   MDOC agrees that the proposed time frame is too restrictive for most prospective applicants. The following change has been inserted into the final amendment: "Occupancy of any project will need to be completed within four years of the date of HUD's approval of the MDOC NSP Amendment.

2. Please consider the risk to applicants of obligating administrative or project costs without a firm commitment of funds from MDOC.

   MDOC Response:
   MDOC does not expect eligible applicants to firmly obligate resources in the absence of a commitment of funds from MDOC Additional language was added to the amendment to clarify that MDOC recommends that all NSP recipients clearly state in their procurement actions that all contracts obligating NSP funds are contingent upon the firm receipt of funds from MDOC. This process is similar to standard practice in the regular state CDBG program.

3. Please consider an abbreviated application deadline to ensure a level playing field and to offer a more transparent system.

   MDOC Response:
   In response to comments from several tribes and small, rural communities from all parts of the State, MDOC has established a three-stage, request for proposals process. This staged process will allow MDOC to provide technical assistance to those who have not worked previously with the State CDBG program, and work with eligible recipients to review preliminary project proposals and to suggest modifications and ensure consistency with NSP requirements.

4. Is a public hearing for NSP proposals required?

   MDOC Response:
   Yes, MDOC will require one public hearing prior to submission of an application for NSP funds. Three factors influenced this decision: Montana CDBG's long history of encouraging public participation in the development of local CDBG projects, the Montana Constitution's requirement for open government, and the Schweitzer Administration's strong affirmation of openness and citizen participation in State government. The local unit of government will be responsible to hold and document the hearing, which should encourage consultation with intended beneficiaries and local citizens.

5. How do you plan to prioritize criteria to fund proposals?
   a. First come/first served?
   b. Greater need: "Qualified Need" vs. "Priority Need" groups?
   c. Most responsive to the NSP criteria?
   d. Permanent, single-family owned affordable housing proposals versus rentals?

   MDOC Response:
   MDOC is determined to obligate and expend as much as possible of the NSP funds to benefit Montana families during the established timeframes. As required by HUD, MDOC included additional language to clearly state that Montana's NSP funds will be prioritized to address HERA's requirement that at least 25 percent of the funds will be used on foreclosed or abandoned properties that will assist families or individuals whose income does not exceed 50 percent of area median income. See additional discussion under Section B of the Amendment, Distribution Process.

6. Please consider allowing eligible recipients to use the most current local data in lieu of the data referenced in the draft. Local current data is more relevant and pertinent.

   MDOC Response:
   MDOC encourages applicants in Areas of Greatest Need to use local data to support their NSP proposals. Each eligible applicant should highlight pertinent local data within its proposal(s), wherever relevant. All such data will be considered by MDOC during application review by MDOC.

7. Foreclosure is not currently as big a problem in Montana as in some other states. Please consider the fact that Montana's market trends lag behind national trends, so foreclosures and the risk of foreclosures have not yet impacted many places in Montana.

   MDOC Response:
   MDOC has collected data from many sources demonstrating an acceleration of the foreclosure problem in the Areas of Greatest Need.

8. Please consider a plan to distribute funding through regional organizations or non-profits.

   MDOC Response:
   MDOC has established that eligible applicants will be limited to reservations and local governments located within the designated Areas of Greatest Need for submitting proposals to MDOC when the RFP process has begun. Federal regulations require that grant recipients have adequate management capacity and financial management systems that meet generally accepted accounting principles. Given the limited time frames for NSP implementation, MDOC believes that this responsibility is best assured by limiting eligible applicants to Indian reservations and general purpose local governments (counties and municipalities) Many of Montana's Indian tribes are familiar with CDBG requirements because of past experience with the HUD Indian CDBG Program. Likewise, many counties and municipalities are also familiar with CDBG requirements due to past experience with either the HUD Entitlement CDBG Program or the State CDBG Program. See discussion under Section B of the Amendment, Eligible Applicants.

   However, MDOC encourages regional and non-profit organizations to partner with tribes and local governments to develop and implement NSP proposals.

9. Please consider redistribution of funds within a region to accomplish the benefit within respective regions.

   MDOC Response:
   HERA has established that NSP funds can only be used in the Areas of Greatest Need and obligated or used within 18 months, this timeframe begins the date that HUD approves Montana's amendment. If funds are not obligated before the end of 18 months, HUD will recapture the funds. Due to the complex and challenging regulatory framework for NSP, the redistribution of NSP funds to a regional area could restrict the implementation of Montana's NSP program.

10. Please consider a streamlined approach to the application and reporting requirements.

    MDOC Response:
    Many of the application requirements are dictated by HUD; however, MDOC has proposed a three-stage RFP process to allow all eligible recipients time to respond with proposals that are consistent with the NSP. See additional discussion under Section B in the Amendment, Distribution Process.

11. Several Comments were received requesting set-asides for the following categories:

    - Community Land Trusts,
    - Elderly Persons,
    - Tribes,

- Entitlement Areas,
- Specific geographic regions in the State, and
- Non-profit organizations.

MDOC Response:
The NSP Federal Register Notice established the eligible uses of NSP funds. Additionally, MDOC has proposed a three-stage RFP process to quickly implement Montana's NSP and to be responsive to the needs of all of the various interest groups. In addition, MDOC is concerned that allocating NSP funds through categorical set-asides could create a potential obstacle for assuring that all the NSP funds will be committed to local projects within the required 18 month timeframe. See additional discussion under Section B in the Amendment, Award of Funds.

II. DEFINITIONS

1. Please amend the Montana NSP amendment's definition of blight and use the definition in Montana Code Annotated 7-15-4206.

   MDOC Response:
   MDOC has expanded the definition of blight to include the definition included in state law (Montana Code Annotated (MCA) 7-15-4206). See additional discussion under Section C in the Amendment, Definitions and Descriptions.

2. Please interpret broadly the list of eligible uses.

   MDOC Response:
   MDOC does not have the option to "broadly" interpret any of the NSP eligible uses. The eligible uses were established by HUD in the NSP Federal Register Notice and are further clarified through subsequent follow up directives the State receives from HUD.

3. Please consider the location of structures within designated floodways and floodplains in the State's definition of blight for the Montana's NSP.

   MDOC Response:
   As required by HUD, MDOC is only allowed to obligate or expend funds within the Areas of Greatest Need.

4. Several comments appeared to misunderstand or misuse the term "abandoned", as related to NSP.

   MDOC Response:
   MDOC is unable to change the current definition as defined within the NSP Notice, which states that abandoned properties are only those associated with property foreclosure. As stated in the NSP Notice, "A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no

mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days."

MDOC has broadly defined the term "vacant" under NSP eligible use 'E'. "The State has defined "vacant property" as any property that is an unoccupied structure or unoccupied parcel of land upon which no structure(s) are present." See additional discussion under Section D in the Amendment, Definitions and Descriptions.

III. ELIGIBLE NSP ACTIVITIES

1. Please include Community Land Trusts as part of MDOC's amendment and the National Strategy.

   MDOC Response:
   MDOC encourages the use of Community Land Trust models under NSP eligible uses B and E.

2. Please consider expanding the "25% requirement" to allow any project, not just those that are related to foreclosed or abandoned properties, to be considered as assisting households at or below 50% of AMI. In short, please consider removing the requirement that 25% of the funds be expended on foreclosed or abandoned properties.

   In some Montana communities, families that have had their homes foreclosed upon are now having difficulty renting replacement housing. Due to the limited number of rentals, local housing authorities are badly in need of additional rental housing units. Newly constructed rentals on vacant property could assist families that are no longer homeowners and are at or below 50% of AMI. We request that these projects that assist families at or below 50% of AMI for eligible use E be considered a priority and count toward the 25% requirement.

   MDOC Response:
   MDOC does not have the option of unilaterally removing the requirement that 25% of the funds be expended on assisting households at or below 50% of AMI in relation to foreclosed or abandoned properties.

   MDOC has made the argument to HUD that other activities should be considered as meeting the 25% requirement. MDOC has requested that HUD modify its policy to allow these types of activities to count against the 25% requirement. Unfortunately, until HUD grants this request, MDOC is unable to allow housing assistance to previously foreclosed homeowners to count under the 25% requirement.

Appendix E - News Articles

Economy Woes
Montana's Flathead Valley Loses 345 Jobs in One Day

By Courtney Lowery, 1-08-09

The Flathead Beacon is reporting two large employers in the valley are planning massive layoffs:

Plum Creek Timber Company announced today it is eliminating 145 jobs and temporarily laying off 221 employees. Story is here.

Semitool also announced it is laying off 280 worldwide, 200 of those employees being in Kalispell and Libby. That story is here.

The Flathead which had been one of the state's fastest growing economic hubs, seems to be taking the brunt of the recession in Montana today.

221 temporarily out of work

Plum Creek Announces Sweeping Round of Layoffs; 145 Jobs Lost

By Kellyn Brown, 1-08-09

Plum Creek Timber Company announced another round of layoffs Thursday, eliminating a total of 145 jobs and leaving an additional 221 employees temporarily out of work in Kalispell, Columbia Falls, Fortine and Pablo.

In a prepared statement, Plum Creek attributed the cutback to a continuing decline in demand for wood products. The company plans to reduce production at its four lumber sawmill facilities and its medium density fiberboard plant.

“The forest products industry in general and the lumber business in particular have been severely impacted by the battered housing market,” Rick Holley, Plum Creek president and chief executive officer, said. “The closure of the Ksanka studmill and reductions in production levels at our other facilities are painful steps to take due to the job losses and impacts to a number of our valued employees.”

Plum Creek will permanently close its Ksanka sawmill in Fortine, costing 74 jobs. The Evergreen sawmill in Kalispell will curtail operations until possibly March. When it reopens it may absorb some of the volume previously produced at Ksanka, but until then 88 employees are out of work.

In Pablo and Columbia Falls, Plum Creek will also reduce its payroll. In Pablo, its sawmill will decrease shifts and eliminate 36 jobs. In Columbia Falls, the pine board sawmill will curtail production until possibly March, leaving 133 employees out of work until it reopens, and reduce shifts at its medium density fiberboard plant, costing 35 employees their jobs.

Plum Creek has gone through several rounds of layoffs in the last year as demand for wood products has waned, but this is by far the largest. In September, the company eliminated 35 jobs at its Columbia Falls fiberboard plant and another 24 at the Kalispell finger-joint stud manufacturing facility. Another 69 local employees were laid off in November.

Summary of Plum Creek Mill Cutbacks

Ksanka stud sawmill; Fortine: Permanent closure; 74 employees laid off; 60 days notice, to close in March

Pablo pine board sawmill; Pablo: Shift reduction from 1.5 to 1; 36 employees laid off; effective immediately

Medium Density Fiberboard facilities; Columbia Falls: Shift reduction from 3 to 2 on both Line 1 and Line 2; 35 employees laid off; effective January 19, 2009

Evergreen stud sawmill; Kalispell: Temporary curtailment until March; 88 employees affected; effective immediately

Columbia Falls pine board sawmill; Columbia Falls: Temporary curtailment until March; 133 employees affected; effective immediately **[End of article] Comment By Matthew Koehler, 1-09-09**

"Unfortunately, these steps are necessary to match supply with the eroding demand for our wood products." - Rick Holley, Plum Creek president and chief executive officer

"Eroding demand for our products" isn't exactly the language any corporate executive wants to use about their industry; however, finally the timber industry is being straight and honest with the public, which is a good thing.

Remember, as recently as a few months ago (and certainly over the past five years as many of us warned of the dire economic consequences of over-consumption and over-development) the timber industry and their supporters were still telling us that the timber industry just needed more trees from national forests to solve their problems.

That was never the case during this emerging economic crisis, which is rooted in over-consumption/development. And it certainly isn't the case when you consider Plum Creek specifically, the largest private land owner in Montana (and the nation) that has unlimited access to their own timber lands.

Hopefully, elected officials and the public will now better understand the true and honest scope of the situation facing the timber industry so that we can better move forward with solutions. I've said all along that solutions not based on economic reality really don't get us anywhere and certainly don't help workers or communities get on the right track for a clean, green and sustainable future.

This article was printed from flatheadbeacon.com at the following URL: http://www.flatheadbeacon.com/articles/article/plum_creek_announces_sweeping_round_of_layoffs_145_jobs_lost/7589/

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About 40 percent of Semitool's Montana workforce cut since November

Semitool Laying Off 280 Worldwide

By Keriann Lynch, 1-08-09

Semitool Inc., the third largest employer in Flathead County, announced Thursday that it is laying off 280 people worldwide because of lagging customer orders.

Approximately 200 employees were laid off at the Kalispell and Libby plants, according to a Semitool press release, with a "scattering of service/sales people in Texas, California, Minnesota and the East Coast" also receiving pink slips. The few remaining layoffs came at plants in Asia and Europe.

The layoffs come on the heels of a three-week period where Semitool effectively shut down and cut back to a skeleton production crew from Dec. 15 through Jan. 5. Employees were told then to anticipate a layoff in the first week of January, according to the release.

"This layoff is simply a follow up to that announcement and is in response to extreme business circumstances in our industry and the world economy, including a number of unexpected cancellations and push-outs of customer orders from Asia, Europe, as well as the United States," according to the release.

The company will also continue to take other actions to reduce expenses, including salary reductions, time off and other measures, according to the release.

Semitool is a leading manufacturer of processing equipment for the semiconductor industry. Its headquarters are in Kalispell.

Last November, Semitool laid off about 100 workers at its plants in Kalispell and Libby. At that time the firm had about 800 Montana employees, so the two sets of layoffs have affected nearly 40 percent of Semitool's Montana workforce.

The company said it did not plan on issuing another layoff, but "like other companies impacted by world economic conditions, we will have to remain responsive to those conditions." **[End of article] This article was printed from flatheadbeacon.com at the following URL:** http://www.flatheadbeacon.com/articles/article/semitool_laying_off_280_worldwide/7591/

Gallatin County led state in foreclosures in November

By AMANDA RICKER Chronicle Staff Writer

Gallatin County led the state in total foreclosure activity in November, reporting 15 properties with foreclosure filings for the month, according to the latest RealtyTrac market report.

Gallatin County's foreclosure rate was more than three times the state average for November, with one in every 2,379 housing units receiving a foreclosure filing, according to the foreclosure-listing service's report.

Yet Gallatin County's November foreclosure rate for November was still far below the national average, RealtyTrac reported. Nationwide, one in every 488 housing units received a foreclosure filing during November.

The Montana county with the second highest number of foreclosure filings for November was Flathead County, reporting 10 properties. Cascade County ranked third highest, reporting nine properties with foreclosure filings.

Across Montana, foreclosure filings were reported on 58 properties n or one in every 7,449 housing units - during November, an increase of 45 percent from the previous month, but still 51 percent below the level reported for November of 2007. That put the state at 45th out of all 50th states.

As 2008 drew to a close on Wednesday, Gallatin County Clerk and Recorder's Office reported that for the entire year, 321 trustee-sale foreclosure notices had been filed in Gallatin County.

The RealtyTrac Monthly U.S. Foreclosure Market Report counts the total number of properties with at least one foreclosure filing reported during the month, according to the California-based service. That includes documents filed in all three phases of foreclosure: default (notice of default); auction (notice of trustee sale and foreclosure sale); and foreclosed properties that have been repurchased by a bank.

If more than one foreclosure document is filed against a property during the month, only the most recent filing is counted in the report.

More info: www.realtytrac.com

Amanda Ricker can be reached at aricker@dailychronicle.com or 582-2628.

Loggers, haulers hit hard by slump

By MICHAEL JAMISON of the Missoulian

KALISPELL - For 32 years, Rodney Uskoski has trucked logs in the Flathead Valley, delivering to lumber mills throughout the region.

This year, “we had a really good summer, even with the high gas prices,” said his wife, Faye. “But now they've told him he only has work till the end of the month. After that, what we do, I don't know.”

Uskoski - whose trucking outfit used to run four rigs but now has just one - is among the contractors feeling the pinch as mills cut back on production.

Plum Creek Timber Co. employed 1,250 in its Montana manufacturing plants back in January 2005, at the height of the building boom. By January 2008, the number had dropped to 1,143. Following the most recent curtailments, manufacturing employment at Montana mills slipped to about 850.

And the layoffs at area wood-product plants have meant contract loggers and log haulers are out of work, too.

At one end of this chain of events is a nation full of bad mortgage debt, which led to a reduction in available bank credit, which led to fewer home sales, which led to fewer houses being built, which led to sinking demand for building materials, which led to mill closures, which led, finally, to Uskoski's pending unemployment.

“We kind of hit the wall about a month ago,” said Greg Dennison, a private logging contractor from Kalispell. He sells to Plum Creek and to F.H. Stoltze Land and Lumber, “and both of those mills have pretty much shut down their purchasing,” Dennison said.

“They shut me off on Dec. 1, and it looks like it's going to be six months, at least.”

Logyards at both mills are stacked high with supply, but demand for finished lumber has tanked.

“They're telling us they already have enough (logs) to run until September,” Dennison said, “and that just postpones everything for us.”

The Western Wood Products Association reported last week that the region's mills “are experiencing the largest downturn in lumber demand ever recorded.”

Homebuilding consumes nearly half of all lumber sold, and housing starts have fallen by more than 50 percent since 2005. Western mills produced about 13.5 billion board feet in 2008, down a full 17 percent from just one year before.

And 2009, the association predicts, will be even worse - the weakest demand in nearly 30 years.

Of course, as the logs and finished lumber stack up at the mills, prices have plunged.

“They're the lowest that we've seen since the early 1980s,” said Shawn Church, editor

of the trade magazine Random Lengths. “And if you adjust for inflation, well, you have to go way, way, way back to see prices like this.”

“It's not supply that's the concern,” he said. “They have lots of logs. The concern going forward is consumer demand for the product.”

Green Douglas fir two-by-fours are selling at about $150 per thousand board feet, he said, less than half of the January 2006 price of $362.

And fir and larch - the mainstay in northwest Montana mills - is priced at $200 per 1,000 board feet, down from $425 at this time in 2006.

All are predicting a rough 2009, with some hope of turnaround in 2010. The WWPA goes so far as to project a near doubling of housing starts during 2011, back into the neighborhood of 1.5 million annually, but Church and others remain unconvinced.

“I think we'll be fortunate if we do see a bounce in 2010,” he said. “Any recovery is going to be slow to take hold, and it's not going to be a robust climb.”

Either way, it's not good news for Dennison; even assuming a best-case scenario and complete recovery in 2011, “there's no way we could survive that long,” the logger said.

At Plum Creek, management said Monday that more than half of its contractors - loggers and log haulers alike - have been directly affected by recent mill curtailments.

“We are slowing down our log deliveries,” said Tom Ray, vice president of Montana operations. “I realize this is a tremendous hardship on our contractors and their families, but we simply have less need than we have had in the past.”

At Plum Creek's plywood plant, he said, six months of log supply is stacked up out front.

And at Stoltze, where company contractors still are working, the mill is no longer buying logs from private haulers.

“I can't tell you for sure what the future will bring if things don't get better,” said Stoltze general manager Chuck Roady. “We've been getting lots of calls from contractors who have been turned away at other mills.”

Stoltze will meet its current obligations - timber sales to which the company already has committed - but Roady would not speculate as to whether his mill will take on any new obligations.

“It's all about moving product out the back door of the plant,” he said, which is no easy matter with lumber orders down somewhere between

30 percent and 50 percent, depending on the product. Plum Creek has reported a similar slump in orders.

“We're anxiously hoping for a springtime uptick in demand from the lumber yards,” said Keith Olson, executive director of the Montana Logging Association. “Otherwise, it's going to be a very sad year.”

Missoula loggers and log haulers have been hit especially hard, Olson said, with the closure of the Stimson Lumber Co. plants. Many of those contractors “came north to find work,” Olson said, “but now with Plum Creek cutting back, they're all headed back home. What we have is too many contractors chasing too few contracts.”

And many of those contractors, Dennison said, “have a half million dollars worth of equipment tied up.” He's lucky, he said, because his capital investment is smaller than most, “and I can ride it for a while.”

Question is, can he ride it long enough? And how long is long enough?

“We saw a tremendous amount of curtailment in 2008,” Church said, “and we're expecting more of the same in 2009. It's just a function of markets, and falling demand for the product.”

The price of a tree on the stump is falling, he said, “which has helped somewhat, but they're still losing money at these lumber prices. Everyone's hoping that the supply and demand lines are going to cross soon, as they work through all this inventory.”

Only then, Church said, will lumber prices begin to push back up.

“It's just going to take time,” he said, which is something many small, private contractors simply do not have. For them, he said, “it looks like the darkest period is right now.”

Scratching the surface - Mining companies laying off workers as they wait for commodity prices to rise

By TRISTAN SCOTT

Global economic woes have forced layoffs across Montana's valuable mining industry, and trade officials hope that an upturn in commodity prices can buoy the industry through hard times.

"We're really hoping that something positive happens in the next three months to lift us up," said Debbie Shea, executive director of the Montana Mining Association. "After our success last year, we had such high hopes for 2008, and now everything has just come to a halt."

As commodity prices fall, Shea said mining officials across the state are looking for a much-needed boon to the hobbling industry.

The Billings-based Stillwater Mining Co. laid off 21 percent of its work force, sending home 526 employees when it temporarily idled the East Boulder platinum and palladium mine in November.

The only U.S. producer of palladium and platinum, the Stillwater mine remains the largest private employer in Montana and was affected by the slumping American auto industry, said Matt Wolfe, environmental manager for Stillwater Mining Co.'s East Boulder mine.

Officials have blamed the cut to its 1,770-member work force on falling market prices for platinum and palladium, which are used to build catalytic converters in cars. About 205 of the more senior miners and support staff were later called back to work.

The restructuring also includes a cut in production for next year. Before the economic slowdown, Stillwater Mining officials projected they would harvest about 525,000 ounces of platinum and palladium between their two mines. They're now expecting to harvest 490,000 ounces.

Montana Tunnels Mining, near Jefferson City, recently laid off its workers for two months, but will continue paying the miners. The temporary layoffs come just one month after the state Department of Environmental Quality issued its record of decision on the company's request to mine an additional 24 million to 28 million tons of ore laden with gold, silver, lead and zinc.

"The record of decision came right before this breakdown in the economy, so now we can't get financing," said Shea.

Managers at Troy Mine have begun preparations for a complete shutdown, as profits plunge amid falling metals prices. In December, mine ownership issued a 60-day warning to employees, saying that if market conditions do not improve the mine will close on Feb. 12, 2009.

"We're hoping that this won't happen," Shea said. "We hope the economy will turn around before then."

Troy Mine employs roughly 180 workers, with an annual payroll of about $10 million. It also pays more than $1 million a year in mining taxes.

The per-pound price of copper plummeted from $3.50 to about $1.35. Silver, likewise, has crashed from nearly $20 last summer to under $10, with consumers cutting back on electronics purchases.

Some analysts have predicted that metals prices will rebound by the middle of 2009, Shea said, while others don't expect the industry to recover for at least two years.

"The economic crisis has really hurt the mining industry," Shea said, "but we're hoping to stay above water."

Foreclosures spike in Gallatin County

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By JESSICA MAYRER Chronicle Staff Writer

Ray Linsky is nearly three months behind on his mortgage. His lender is threatening to foreclose on the home where he lives with his wife and three kids.

Ray Linsky stands in front of his Bozeman home that he is fighting to keep on Thursday. "We have jobs and still can't pay our bills, and that's the part that makes me sick," he said.

Linsky works at Pierce Flooring & Design and his wife works at an accounting firm. Their employers are great, he said, but as the construction industry goes, so goes his commission-based salary.

"It's just that the economy has risen up and bitten us," Linsky said. "It just gets worse and worse."

Although Gallatin County has in the past been somewhat insulated from national financial woes, the same economic illness wracking the nation is now hitting Montana.

Foreclosure filings in Gallatin County have tripled since 2006, when 37 homes were foreclosed upon. Last year, 128 homes were taken back by lenders because of nonpayment, according to Realty Trac, which monitors the national real-estate market.

Local financial counselors say the phone just keeps ringing.

HUD-certified counselor Tracy Menuez of the Human Resource Defense Council said she visited with more people facing foreclosure last week than she had during entire years prior, she said.

"It's been a lot," she said.

Nationally, foreclosure activity increased 81 percent last year over 2007, according to Realty Trac. Nevada, Florida and Arizona have been the hardest hit. Comparably, Montana is faring well, coming in 44th nationally.

And while many point to subprime loans or high-risk lending as the pins that popped the real-estate bubble, most people Menuez councils are not in crisis because of bad decisions, she said.

Often her clients do everything right, plunking down a sizeable down payment and saving a nest egg for tough times.

Linsky said his family has never gone on a vacation further than Idaho. And, until now,

they never missed a mortgage payment.

“We always found a way to get through,” he said.

But now, Linsky, who has earned his bread and butter in the construction business, feels as if he is running out of options.

“I’m heartbroken, heartsick that we’re in this situation,” he said.

Some suddenly unemployed people, including many who used to work in the construction business, have resorted to buying necessities on credit, said Beverly Johnston from Bozeman’s Consumer Credit Counseling Service, which aims to educate people about financial options.

“A lot of people that have worked in the housing industry, they don’t have an emergency fund. And when something comes up, they use their credit cards,” Johnston said.

And now, those who have been paying for food and other necessities on credit are running out of time. Her average Bozeman client has $28,000 in credit card debt, she said.

But as lawmakers continue to get an earful from constituents, there could be solutions on the horizon.

Montana’s U.S. Sens. Max Baucus and Jon Tester are both working on legislation that they say will provide relief to homeowners.

"Rising foreclosure rates in Montana can be blamed on a national economy in the tank,” Tester said in a written statement. “So it's time to work together to rebuild our economy from the ground up.”

Baucus aims to direct stimulus money allocated last year to homeowners in crisis. He’s ready to work with a new presidential administration to ease economic pressures, his spokesperson, Sara Kuban said Thursday.

Linsky said the community, especially folks facing foreclosure, needs to come together to spotlight the problem.

Linsky served on the board for Habitat for Humanity, which builds homes for people in need. When he found himself in this financial bind, though, he stepped down to redirect attention to his family crisis.

It doesn’t serve anyone to have people like him who have always worked to make the community better, lose their homes, he said.

“We’ve been productive members of the community for quite some time,” Linsky said. “It doesn’t make sense. I work hard. I’ve worked hard to pay my bills.”

There are some options for people who feel trapped, Meneuz said. Financial counselors recommend contacting them early. Experts can help restructure debt, arrange payment reductions, set up a short-term loan or, if all else fails, help sell a property before it goes into foreclosure, Menuez said.

“We want people to know that there are definitely free resources for you,” she said. “We can help them work with their lender.”

Linsky said he won’t give up.

“I just can’t go down without a fight,” he said. “A lot of people are sitting at home and they’re in the same position as me and my wife, and they don’t know what to do

“There’s a lot of scared people out there,” he said.

Jessica Mayrer can be reached at **jmayrer@dailychronicle.com** or 582-2635.

In February HRDC will offer a foreclosure outreach and foreclosure prevention event, providing an opportunity to ask questions about foreclosure.

For more information call the Consumer Credit Counseling Service at 1-877-ask-cccs or the Human Resource Defense Council at 585-4840.

200 JOB LOSSES ANTICIPATED

Columbia Falls Aluminum Company to Shut Down

By Dan Testa, 12-23-08

Flathead Beacon.com

Caption: Columbia Falls Aluminum Plant

The Columbia Falls Aluminum Company notified its employees Tuesday morning that the plant will be shutting down its operations within the next 60 days.

The closure will eliminate the jobs of the roughly 200 employees at the plant, and comes on the heels of a spate of layoffs over the last several months by some of the Flathead's biggest employers.

Haley Beaudry, CFAC's manager of external affairs, said a confluence of factors contributed to the closing: low global demand for aluminum, stagnant prices for aluminum while raw material prices remain resilient, and a Dec. 17 decision by the Ninth U.S. Circuit Court against the Bonneville Power Administration that could increase electricity prices for aluminum companies throughout the region.

"Right now it's a curtailment and we're always hoping that things change," Beaudry said. "We're going to stop producing aluminum and whether or not we restart some time depends on the situation."

The board of directors for CFAC's parent company, Glencore AG, made the decision to close, Beaudry said, and the notice that went out Tuesday came from the plant's vice president and general manager, Charles Reali.

The notice was released as part of the Worker Adjustment Retraining Notification (WARN) Act, and guarantees worker payment for 60 days, though the plant could shut down sooner.

Given the timing of the announcement, two days before Christmas, Beaudry said the atmosphere at CFAC was "about what you'd expect," and more details about the plant closure may not be available until after the holiday, though CFAC officials have called the governor's office and the state's federal delegation to notify them.

"It's too early to know what all is going to happen," Beaudry said. "Nothing is in place yet, but we have qualified for certain federal retraining programs in past cutbacks."

In July, CFAC shut down one of its pot lines, and laid off 125 hourly workers, citing soaring energy prices for the cutback. Between then and now, hundreds of workers

have been let go from some of the valley's top employers, including: Plum Creek Timber Co., Semitool Inc., Goose Bay and the Troy Mine.

With an unemployment rate of 7.3 percent, according to the state Department of Labor and Industry's November statistics, Flathead County's is one of the highest in the state, alongside surrounding counties like Lake, Lincoln, Glacier and Sanders.

Dave Toavs, president of CFAC's union, the Aluminum Workers Trade Council said the atmosphere among the plant's employees was somber, but work continued.

'We're running business as usual," Toavs said. "We're still making metal."

Acknowleding the plummeting commodity prices, Toavs said CFAC is one of the most efficient aluminum production facilities in the country, adding, "but when the price drops too low, there's nothing you can do."