

# State of Montana

## 2013 ANNUAL ACTION PLAN AMENDMENT



*Governor Steve Bullock*

### *Investing in Montana's Communities*

#### DEPARTMENT OF COMMERCE

*Meg O'Leary, Director*

Community Development Block Grant Program  
Home Investment Partnerships Program

#### DEPARTMENT OF PUBLIC HEALTH & HUMAN SERVICES

*Richard Opper, Director*

Emergency Solutions Grant Program

For the Plan Year  
**April 1, 2013**  
through  
**March 31, 2014**

**DRAFT**

Open for public  
comment:

June 10, 2016 – July 11,  
2016

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#### **Section**

V. Method of Distribution

# 2013 Annual Action Plan Amendment

## Introduction

The Montana Department of Commerce is proposing a modification to the 2013-2014 Annual Action Plan, and considers this modification to be a substantial amendment to Section V – Method of Distribution. No other sections of this plan are proposed for modification. This change will modify Section V. Method of Distribution, Community Development Block Grant use of funds to allow for financial assistance for optional relocation where tenants have been or will be relocated within six (6) months of the relocation due to unsafe and potentially hazardous living conditions. This proposed amendment will not affect the percentage of funds allocated between Public Facilities/Housing (60% to 70%) and Economic Development (30% to 40%). Edits to this section are noted through strikethrough (for deleted narrative) and underline (for added narrative).

## V. METHOD OF DISTRIBUTION

Housing and community development needs vary widely across the state. The extreme diversity in the available infrastructure and housing, age of housing stock, and overall range in population complicate the assessment of the type and degree of housing and community development needs. Because of the limited availability of resources and the extent of community development and housing needs, each of the three formula grant programs has developed its own methods to address priority needs and to distribute CDBG, ESG, and HOME Program funds to eligible entities for the activities expected to be carried out during the program year.

### **Community Development Block Grant Program**

#### **CDBG Program Categories**

The basic categories for local community development projects are housing and neighborhood renewal, public and community facilities, planning projects, and economic development and planning. Some of the activities that can be carried out with CDBG funds include acquiring real property; rehabilitating residential and nonresidential properties (including special facilities for persons with disabilities); providing financial assistance for optional relocation; constructing new, affordable housing (when sponsored by a nonprofit organization); providing public facilities and improvements such as water, wastewater or solid waste facilities, rural hospitals or senior citizen centers; and assisting for-profit businesses to promote economic development activities that will result in the creation or retention of jobs.

The Department of Commerce is developing a new program that will provide strategic technical assistance to communities directly impacted by rapid increases in population growth associated with oil and gas development. The Department will assist communities in developing a comprehensive strategic plan that will guide the development of housing, infrastructure, public health and safety services, and economic development to encourage long-term sustainable growth. Commerce will facilitate direct consultation with other state and federal agencies and local non-profits to provide a comprehensive approach to the planning and implementation of the improvements. The CDBG planning and project funds, partnered with other state and federal agency funds, can assist communities in implementing the strategic objectives identified in the local community plan.

#### ***Housing and Neighborhood Renewal Projects***

CDBG housing and neighborhood renewal projects may consist of one or more activities designed to address the affordable housing needs of low- and moderate-income households. this includes financial assistance for optional relocation where tenants have been or will be relocated within six (6) months of the relocation due to unsafe and potentially hazardous living conditions. The principle activities within a housing and neighborhood renewal project must clearly be designed to address needs

appropriate to the category and be pertinent to a national or state objective of the CDBG program.

For FFY 2013, to better serve all persons of low and moderate income, the CDBG housing and neighborhood renewal program is establishing two housing applications; noncompetitive and competitive applications. The noncompetitive application will allow eligible applicants to submit an individual property assistance housing application for distinct projects that propose to complete infill development activities; redevelopment or rehabilitation of individual properties in order to bring units to a safe, decent and sanitary living condition; financial assistance for optional relocation where tenants have been or will be relocated within six (6) months of the relocation due to unsafe and potentially hazardous living conditions; or homebuyer support through down payment assistance. The traditional competitive housing application will continue to allow eligible applicants to submit multi-unit housing development applications for CDBG housing funds and allow for financial assistance for optional relocation where tenants have been or will be relocated within six (6) months of the relocation due to unsafe and potentially hazardous living conditions. A portion of the housing funds will be set-aside for the non-competitive individual property assistance activities.

Through the noncompetitive CDBG individual property assistance, eligible applicants can use CDBG housing funds to expand homeownership opportunities for low- and moderate-income persons by financing the acquisition of individual parcels, paying closing costs, and providing up to 50% of any down payment required.

Specific requirements of the noncompetitive program include, but are not limited to, documenting the housing activity is identified as a community need, funds will provide a long-term period of affordability, and the activities will provide a benefit to persons of low and moderate income as well as comply with all CDBG requirements. Grants will be awarded on an incremental basis for individual projects.

### ***Public Facility Projects***

CDBG public facility projects assist local governments with needs identified in a community growth policy, capital improvement plan, a strategic community development plan with assistance from the Department, as explained above, or other similar needs assessment or community planning efforts. Public facility projects may consist of one or more activities designed to resolve a community development need associated with the new construction, deferred maintenance, redevelopment or upgrade of public infrastructure, such as water or sewer services; public health or safety services, such as fire protection; or community facilities such as a youth home. Activities may also include direct assistance to low- and moderate-income families to pay special assessments or hookup charges for public improvements, such as connection to a new public wastewater collection system. The competitive public facility application for funds must clearly show that the principal activities within a public facility project will address needs appropriate to the category and be pertinent to a national or state objective of the CDBG program.

Communities have also utilized CDBG funds to construct or rehabilitate facilities designed for use predominately by persons of low- and moderate-income such as senior citizen centers, Head Start centers, public nursing home facilities, mental health centers, and public hospitals in rural communities. These facilities typically have specific requirements and provide unique services that differentiate them from other housing projects, such as those providing homeowner rehabilitation, multi-family construction, or first-time homebuyer assistance. The clientele served by short-term residential facilities must typically meet very specific criteria and follow specific treatment programs. The provided activity is a public service function that includes services such as the provision of temporary housing and counseling services. Because the project focus is on the provision of a public service (as opposed to long-term, permanent housing), it is appropriate to rank these types of facilities under the public facility category.

#### *Change in Method of Distribution for CDBG Housing and Public Facilities Projects*

MDOC will accept Housing and Public Facility project applications for FFY 2013 funds in the spring of 2013, with awards announced after. DOC has been allocated HUD funding. As stated earlier, CDBG funds will be awarded through competitive housing and public facility and noncompetitive housing applications. All competitive applications will be ranked according to the established criteria. The noncompetitive housing application will not be ranked but rather reviewed against the established application criteria to ensure compliance with CDBG program objectives and until the set aside funds are fully obligated.

#### ***Planning Projects—Public Facilities, Housing and Neighborhood Renewal***

The CDBG Program is able to play a unique role in assisting Montana communities because of its ability to offer planning grants to local governments. The CDBG housing and public facilities planning grant funds are used to assist local governments in a wide variety of long-term planning-related activities including updating community growth policies; conducting community needs assessments; developing capital improvement plans; conducting housing studies; preparing downtown development and historic preservation plans; and preparing preliminary architectural or engineering plans related to public facility and housing activities. Planning grant funds may also be used to develop comprehensive strategic development plans to guide the development of housing, infrastructure, public health and safety services, and economic development in communities facing rapid population growth associated with oil and gas development.

CDBG prioritizes those projects applying for planning grant monies to prepare preliminary engineering reports that have first made an application to the Treasure State Endowment Program and the Montana Department of Natural Resources and Conservation's Renewable Resource Grant and Loan program. Applicants who choose to apply for CDBG grant funds to complete this type of activity without first applying to

the TSEP and RRGL programs will be considered only after all other project applications have been received and funded.

### ***Community Revitalization***

The Department considers community revitalization activities as a principal CDBG planning and project grant activity. CDBG urges local government grantees to consider community revitalization activities as a complimentary activity to one of the basic eligible CDBG housing and neighborhood renewal or public facilities activities, such as doing neighborhood revitalization (demolition, clean up, park development) in conjunction with a traditional housing rehabilitation project. As stated earlier, Commerce is developing a new program that will assist communities with comprehensive strategic development planning to guide long-term sustainable growth where rapid population growth is resulting from oil and gas development.

### ***Economic Development Projects***

Montana's CDBG Economic Development Program is designed to stimulate economic development activity by assisting the private sector in order to create or retain jobs for low- and moderate-income persons. CDBG funds are intended to be used in situations where a funding gap exists or alternative sources of public and private financing are not adequate. These funds are intended to complement conventional business financing and those of other federal programs such as the U.S. Department of Commerce Economic Development Administration (EDA) and U.S. Small Business Administration (SBA). The program also complements MDOC programs for business assistance administered by the Business Resources Division, such as the Regional Development Program and the state Micro Business Finance Program, as well as programs administered by the Montana Board of Investments.

The CDBG-ED Program assists businesses by making appropriate long-term, fixed-rate financing available to them at reasonable interest rates with flexible terms. Typical eligible activities within the CDBG economic development category include: land acquisition; public facilities, infrastructure (water and sewer lines, sidewalks, access roads, etc.), and other improvements in support of economic development; loans for acquiring, constructing, rehabilitating, or installing commercial and industrial buildings, facilities, or for working capital; grants for job training; and grants or loans from communities to nonprofit entities.

The CDBG-ED Program provides instructions for and descriptions of criteria used to select applications for funding. The annual application guidelines provide a checklist of items that applicants must provide in their applications (see the checklist starting on page 41).

### ***Guaranteed Loan Funds***

The state does not currently anticipate aiding non-entitlement units of general local government in applying for guaranteed loan funds under 24 CFR part 570, subpart M

(the Section 108 Loan Guarantee Program). However, HUD Section 108 Loan Guarantees will be available under exceptional circumstances. These loans will be available subject to the analysis and discretion of the MDOC Loan Review Committee and contingent upon the local government applicant and financing package receiving assistance from an organization or individual consultant experienced with structuring Section 108 projects.

## **Funding**

### ***Annual CDBG Grant***

For the plan year beginning April 1, 2013, MDOC will receive an estimated \$5,497,803<sup>1</sup> in federal CDBG funds, the amount Montana received for FFY 2012. Of these dollars, after program administration and technical expenses, MDOC will allocate, at the discretion of the Director, between 60% to 70% to the Community Development Division for public facility and housing neighborhood renewal projects and planning, and allocate between 30% and 40% to the Business Resources Division for economic development projects and planning.

To ensure that all funds are awarded within the 15 month timeframe, the MDOC Director, at his discretion, may reallocate unexpended or unawarded CDBG funds in between normal grant application cycles to expedite necessary projects and the expenditure of CDBG funds consistent with the objectives of the CDBG Program.

### ***Funds Recaptured by the State from Units of General Local Government***

MDOC will redistribute any funds recaptured by the state from units of general local government that received previous annual grants to other units of general local government using the same method of distribution that currently governs the programs.

### ***Funds Reallocated to the State by HUD***

MDOC will distribute any funds that HUD reallocates to the state to units of general local government using the same method of distribution that currently governs the programs and/or by any rules imposed by HUD as a condition of receiving the reallocated funds.

### ***Program Income***

The CDD and BRD anticipate that local grantees will generate an indeterminate amount of program income. Grantee communities that have an approved CDBG program income plan retain the funds for further CDBG-eligible activities. Each year, local governments receiving CDBG program income file a report showing the status of program revenues and expenditures.

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<sup>1</sup> Estimate based on FFY 2012 HUD allocation; FFY 2013 allocation unknown at time of Plan submission

### *Other Funding Considerations*

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves, or in combination with other proposed funding sources, to complete the proposed activities within 24 months from the date of the announcement of grant award by MDOC. Communities applying for economic development funding can continue to apply for funding throughout the program year until they have reached the maximum amount of \$400,000 per local government.

Existing grantees must significantly drawdown their current funds before they are eligible to apply for additional program funds. Each local government may apply for economic development funding up to \$400,000, one noncompetitive housing project, one competitive housing and neighborhood renewal project, and one public facility project each program year. While eligible applicants can apply for one noncompetitive housing application, the projects will be awarded on an incremental basis and must demonstrate that the benefited unit is significantly completed or sold before additional individual properties are funded. In addition, MDOC limits each local government to an award of one CDBG-ED planning grant and one CDBG community planning, public facilities, or housing planning grant each year.

Montana's three entitlement cities, Billings, Great Falls and Missoula, are not eligible to apply for state CDBG funding since they receive their own CDBG funds directly from HUD. However, state CDBG funds can be used to fund an activity that is located within the boundaries of an entitlement community to primarily benefit nonentitlement residents. If an applicant applies for CDBG funds, the entitlement community will be expected to provide a reasonable share of the project funds. These project activities could be a homeless shelter or senior center that is located in the boundaries of an entitlement community, but is providing a significant benefit to nonentitlement residents. This broadened use of CDBG funds will provide a more regional approach and comprehensive planning between entitlement and nonentitlement communities.

### *Application Selection Criteria*

The CDBG Public Facilities and Housing application guidelines will be available for prospective grantees to submit applications on or before April 15, 2013. Non-entitlement local governments are eligible applicants. Private and nonprofit organizations are not eligible to apply directly; in these cases, a county or municipality must apply for CDBG funds on their behalf. If funded, all entities involved must execute an interlocal or sub-recipient agreement.

### ***Housing and Neighborhood Renewal***

Funds distribution for the CDBG housing and neighborhood renewal category results from an annual grant application that is both competitive and noncompetitive, based on the housing project activity. The demand for CDBG funds has typically exceeded the

amount available; therefore, MDOC has developed an application ranking procedure to evaluate methodically the degree to which a proposed project responds to the objectives of Montana's CDBG Program and the ranking criteria.

MDOC evaluates competitive housing and neighborhood renewal applications according to the established guidelines, which are adopted through an administrative rule process.

The CDBG application review team submits a written ranking report to the MDOC Director who makes the final decision on grant awards. Additional information on the guidelines is available on the web at <http://comdev.mt.gov/CDBG/cdbghousing.mcp>

A professional engineer within the Division consults with the ranking team during the CDBG application review to assist in the review of preliminary architectural reports submitted by applicants for those housing projects involving the substantial rehabilitation or new construction of housing structures, (excluding the proposed rehabilitation of single-family owned residences).

MDOC will evaluate noncompetitive individual housing applications through according to guidelines that will be established for this new program and adopted through an administrative rule process.

The CDBG noncompetitive application review will present recommendations of grant funds to the MDOC Director. Once a noncompetitive application is awarded, the grantee will be awarded funds on an incremental basis to complete individual house activities. If the amount of funds set-aside for the noncompetitive housing are not awarded, the balance of available funds will be awarded through the competitive funding categories or at the discretion of the Director to projects that meet a CDBG objective.

### ***Public Facilities***

MDOC CDBG staff reviews public facility applications for completeness and for conformance to federal and state CDBG requirements. In the case of water and wastewater applications, professional engineers within the Community Development Division carefully analyze the applicant's preliminary engineering report and recommend scores for the "Need for Project" and "Project Concept and Technical Design" ranking criteria. A professional engineer within the Division provides technical assistance to staff during the review of engineering reports submitted by applicants for all types of public facility projects.

The CDBG application review team submits a written ranking report to the MDOC Director who makes the final decision on grant awards. The actual number of awards is subject to funding availability and the amount of each applicant's request.

The application review team evaluates each application according to the established criteria listed in the application guidelines, which are adopted through the Administrative Rules Process.

The ranking team evaluates public facility applications for non-water and wastewater projects that provide less than a community-wide benefit and target a specific group of people such as Head Start and Senior Citizen Centers based strictly on “gap analysis”, i.e., the documentation of the existence of a funding gap and the need for CDBG grant funds.

MDOC awards funds to the rank ordered applications that have demonstrated the project most closely aligns with the application ranking criteria. Applicants not funded are encouraged to seek technical assistance from the program and to re-apply during the next funding cycle.

Additional information on grant application guidelines for public facilities is available on the web at <http://comdev.mt.gov/CDBG/cdbgpublishfacilities.mcp>.

### ***Planning Grants – Community Planning, Public Facilities, Housing and Neighborhood Renewal***

Planning grants are awarded by the CDBG Program on an annual basis. CDBG staff evaluates planning grant proposals in relation to the issues related to Community Planning, Public Facilities, and Housing and Neighborhood Renewal to ensure grant funds requested are for an eligible activity meeting the goals of the program.

The application guidelines for CDBG planning grants can be accessed on the web at <http://comdev.mt.gov/CDBG/default.mcp>

### ***Economic Development***

The CDBG-ED guidelines are available as of February 2013 and the CDBG-ED planning grant guidelines are available as of May 2013. CDBG-ED receives and awards funds to applications on a continuous cycle until all funds are committed. Once all funding is obligated, project development and funding awards may occur in anticipation of the next year’s funding allocation.

Eligible applicants are local governments, which usually contract with local development organizations to loan funds to for-profit businesses that agree to create jobs for low- and moderate-income persons. CDBG staff initially reviews each application. After the initial review is completed, a grant review committee that makes funding recommendations to the MDOC Director does a final review. The director makes a final funding decision.

Applicants must meet certain thresholds when applying for funding, including preparing a business plan and providing a 1:1 dollar match. The CDBG-ED Program provides instructions and descriptions of criteria used to select applications for funding awards.

The annual application guidelines provide a checklist of items that applicants must provide. Each point in the checklist corresponds to a chapter in the application guidelines, or appendix where local governments can utilize document templates, examples, and find detailed information for compiling their project applications. This checklist corresponds to an internal checklist used to review applications for completeness.

### *Amended Changes*

As of plan year 2012, CDBG-ED eliminated the minimum grant amount of \$100,000 to make the program more attractive to small businesses that may need assistance but do not have a large number of employees. CDBG-ED no longer requires match in the form of new money, grants, investments, or loans, and will consider as match documented expenses incurred related to the proposal that occurred no more than 18 months prior to the date of the application. The last change to the CDBG-ED program was to drop the current interest rate of 5% down to 2%.

### **Preliminary Steps**

IN PROCESS	COMPLETED	N/A	ACTION
			1. Local Government registers for a DUNS number and with CCR.
			2. Business approaches the local government, local development corporation, or some other entity, with a proposal.
			3. Local government and/or local development corporation and business consult with CDBG staff to see if the proposal is a good fit for the CDBG-ED program. Does the project meet CDBG-ED business thresholds? See <i>Chapter I</i> for general requirements.
			4. Minimum 1:1 match. See <i>Chapter II, Matching Funds</i> .
			5. Cost per job created or retained: See <i>Chapters I &amp; II</i> .
			a. No more than \$25,000 of activity funds per job created or retained for loans,
			b. No more than \$35,000 of activity funds per job created or retained in an area that has a population of at least 51% low and moderate income persons,
			c. No more than \$5,000 per employee trained under Customized Training for Employees,
			d. No more than \$7,500 per disabled employee trained under Customized Training for Employees.
			6. Business can show minimum 51% benefit to LMI. See <i>Chapter II, Benefit to Low and Moderate-Income Persons</i> .
			7. Business drafts a Hiring and Training Plan. See <i>Chapter III, Hiring and Training Plan</i> .
			8. Business owner make preliminary review of financials. See <i>Chapter III, Business Plan</i>
			9. The assisted business secures matching funds with commitments. See <i>Chapter I, Matching Funds</i> .
			10. Business owner discuss expected timeline for business owner's need for money.
			11. If business does not have a D-U-N-S number, it registers for one. See <i>Chapter III, D-U-N-S Numbers</i> .
			12. Business reviews U.S. Census Bureau's NAICS codes for proper business classification. See <i>Chapter III, NAICS Codes</i> .

IN PROCESS	COMPLETED	N/A	ACTION
			13. For infrastructure projects: a. Preliminary architecture or engineering report has been completed and costs are estimated. See <i>Chapter I, Business Infrastructure Projects, Appendix V &amp; Appendix W.</i>
			b. If the local government desires to hire an architect or engineer, it has to demonstrate that services were procured in accordance with state law and MDOC procurement policy. See <i>Appendix K.</i>
			14. Local government and assisted business contact the area's Certified Regional Development Corporation (CRDC) and discuss intentions to apply for CDBG-ED funds. All applications must have either 1) a copy of a letter of support from CRDC's Board of Directors for the CDBG-ED application, or 2) an explanation as to why the letter is not submitted.

If the proposal is determined to be a good fit for the CDBG-ED program, the *local government* initiates the CDBG-ED application process.

### Final Application Process

IN PROCESS	COMPLETED	N/A	ACTION
			1. Applications will be reviewed and analyzed by staff on a "first come, first served" basis, as determined by the date the full application is found to be complete by MDOC. CDBG-ED staff will work closely with applicants during the review process to negotiate any changes and resolve issues identified during the review. Staff may consult with the contact persons from the business and the applicant community during initial review. The application is considered complete when all requirements have been met, the initial financial review indicates that the project has the potential to be financially feasible, and the project is properly structured.
			2. Local Government conducts a needs assessment in accordance with CDBG-ED guidelines, or provides detailed information on a recently completed assessment that addresses housing, infrastructure, and economic development. Contact CDBG-ED staff for a copy of " <i>The Community Needs Assessment Process.</i> " See Guidelines, <i>Chapter II, Citizen Participation, &amp; Appendix I.</i>
			3. Local Government holds <i>first</i> public hearing; – may occur before business comes forward: See Guidelines, <i>Chapter II &amp; Appendix I.</i>
			a. Held not more than <i>12 months before</i> submitting application.
			b. Provides general description of CDBG and other funding programs: purpose, uses, funds available, application deadlines, status of commitment, etc.
			c. Elicits public comment on community's needs assessment.
			d. Solicits for businesses that may be interested in applying for a CDBG-ED loan.
			4. Local Government holds <i>second</i> public hearing: See Guidelines, <i>Chapter II, Citizen Participation &amp; Appendix I.</i>
			a. Held not more than <i>2 months before</i> the date of the application.
			b. Gives citizens and potential beneficiaries adequate opportunity to review and comment on the proposed application before it is submitted.
			5. The assisted business finalizes matching funds and commitments.
			6. The assisted business secures buy/sell agreement, if applicable. See <i>Chapter II, Acquisition.</i>
			7. The assisted business conducts income surveys and racial category forms for retained positions. See <i>Chapter II, Benefit to Low and Moderate-Income Persons, &amp; Appendix S.</i>

IN PROCESS	COMPLETED	N/A	ACTION
			8. Each local government's CDBG-ED application needs to review and/or complete the following, required appendices; and document that required application areas as described in Chapters II and III are addressed. Having these appendices appear in the order in which they are listed will expedite the review process:
			a. Complete <i>Appendix A, Montana Department of MDOC Economic Development Project Application Form</i>
			b. Appendix B: Complete the <i>Local Government and Business Application Certification</i> form
			c. Appendix C: Review and sign the <i>Acceptance of CDBG Program Requirements (Certifications for Application)</i>
			d. Appendix D: Identify and provide a description on how the proposal addresses at least one of the <i>State Objectives for the Montana Department of MDOC, Community Development Block Grant Program</i>
			e. Appendix E: Complete the <i>Full Environmental Checklist for CDBG-ED Applications</i> , AND provide sources used for information.
			f. Appendix F: Review the <i>Percent Low to Moderate Income (LMI) for Montana Counties, Cities, and Places</i> for area-wide projects. Contact program staff for eligibility.
			g. Appendix G: Review the <i>CDBG Technical Assistance Publications</i> and contact MDOC for copies of any publications needed.
			h. Appendix H: Pass a <i>Resolution to Authorize Application</i> ; one for each local government making the application.
			i. Appendix I: Review <i>Public Hearing Procedure and Sample Formats for Public Hearing Announcements</i> .
			j. Appendix J: Review <i>Revolving Loan Fund Plan Sample</i> and draft a plan for submittal.
			k. Appendix K: Review MDOC's <i>Procurement Policy</i> .
			l. Appendix L: Draft <i>Sub-Recipient Agreement</i> (or equivalent) if utilizing a local development organization.
			m. Appendix M: Draft a <i>Management Plan</i> .
			n. Appendix N: Complete a <i>Sources/Uses Form and Pro-Forma Balance Sheet</i> (or equivalent) AND provide narrative on each funding source: status of commitment, availability, etc.
			o. Appendix O: Draft a <i>Hiring and Training Plan</i> (or equivalent).
			p. Appendix P: Complete an <i>Implementation Schedule</i> .
			q. Appendix Q: Complete a <i>Confidentiality Agreement and Affidavit</i> .
			r. Appendix R: Draft an <i>Inter-local Agreement</i> (if a multi-jurisdictional project).
			s. Appendix S: Complete <i>Income Certification Forms &amp; Racial/Ethnicity Categories Forms</i> for job retention projects.
			t. Appendix T: Submit <i>Business Plan</i> . Contents need to include the following: See <i>Chapter III, Business Plan</i> .
			i. Business Description
			ii. Management Description
			iii. Market Analysis
			iv. Financial Statements
			v. Projections
			vi. Debt Schedule
			vii. Working Capital Needs
			viii. Personal Financial Statements
			ix. Personal Credit Check Release
			x. Private Sector Commitments

IN PROCESS	COMPLETED	N/A	ACTION
			xi. Public Sector Commitments
			u. Appendix U: Submit <i>Draft Grant Assistance Agreement</i> for customized employee training agreements, infrastructure grants, and grants to non-profit organizations.
			v. Appendix V: Submit preliminary engineering report (PER) for infrastructure projects.
			w. Appendix W: Submit preliminary architectural report (PAR) for building construction or renovation projects.
			x. Provide narrative and supporting documentation (such as a copy of the needs assessment process) describing the community's needs assessment process. See <i>Chapter II, Community Development Needs Assessment</i> .
			y. Provide narrative and supporting documentation (public announcements, minutes, and attendance sheets) describing the public hearing process and results. See <i>Chapter II, Citizen Participation</i> .
			z. Provide narrative describing how the proposal will show benefit to at least 51% low and moderate-income persons. See <i>Chapter II, Benefit to Low and Moderate-Income Persons</i> .
			aa. Provide narrative describing how the proposal addresses the state's community development objectives. See <i>Chapter II, State Community Development Objectives</i>
			9. Provide copy of a letter approved by a CRDC's Board of Directors Showing support for the proposed project and application, or explanation why one is not included.
			10. Maps – Local government obtains copies of maps showing location of assisted business/project area, and copy of FEMA map designating area of floodplain. See <i>Chapter II, Maps</i> .
			11. Worker's Compensation Insurance Coverage – Provide proof of current worker's compensation insurance coverage for the local government, assisted business, local development organization, and contracted consultants.
			12. Questions to ask before submittal of application:
			a. Are project costs reasonable?
			b. Are all sources of project financing committed?
			c. Is the project financially feasible?
			d. To the extent practicable, the return on the owner's equity investment will not be unreasonably high?
			e. Are the matching funding sources committed, and are there letters of commitment from each source?
			f. Has the application demonstrated a need for CDBG-ED assistance?
			g. Have all other sources for funding been explored and rejected (documented)?
			h. For health care facilities, has the Health Facility Authority (Montana Board of Investments) been contacted?
			i. Is there sufficient equity and collateral to meet the lending requirements of private lending institutions?
			j. Can the assisted business contribute sufficient equity to the project to meet the debt/net worth requirements of traditional lenders?
			k. Has the applicant considered the quality of the jobs and the wages they pay?
			l. Is the management experienced in the type of business activities it proposes, and has it demonstrated a capacity to successfully manage it?
			m. Are the projected earnings realistic and attainable? Are they supported by historical trends and industry norms? Do the projections indicate that cash flow will be sufficient to support the proposed increased debt?

IN PROCESS	COMPLETED	N/A	ACTION
			n. Are CDBG-ED funds adequately secured with all reasonably available assets and/or personal guarantees?
			o. If the proposal involves the purchase of a business, has an appraisal been completed, and is there a buy/sell agreement in place?
			p. Does the application support a sound, well-reasoned proposal with a strong indication that the business will enjoy success if CDBG-ED funds are received?
			q. Will the project be ready to proceed upon notification of tentative award of CDBG-ED funds and be ready to begin immediately?
			r. Does the application demonstrate that the project will support itself over time and not impose a burden on the local government or non-profit entity participating in the project?
			13. Two (2) copies of each application is required for submission:
			a. <i>Two copies (one original and one copy) of the application must be submitted to the Business Resources Division of the Montana Department of Commerce (see address on cover page) using the form in Appendix A, and all other appropriate documentation to fully respond to these application guidelines.</i>

Funds are awarded on a first-come, first-serve basis, if the thresholds and underwriting criteria are met, until all funds are committed. Application guidelines for the CDBG-ED Program are on the web at: <http://cdbged.mt.gov/applicationguidelines.mcpix>

MDOC promotes regional planning efforts and coordination among local development entities and local governments. To encourage better communication in local planning efforts, applicants must provide a letter of support approved by the board of their regional Certified Regional Development Corporations (CRDCs). If no CRDC covers an applicant's area, the applicant must provide narrative explaining why it does not participate in a regional planning effort. For more information, go to <http://businessresources.mt.gov/CRDC/crdcmap.mcpix>

### ***Economic Development Planning Grants***

The Business Resources Division also sets aside approximately \$180,000 in CDBG-ED funds for economic development planning, capacity building, and technical assistance grants. For plan year 2013, the BRD intends to use the set-aside funds for activities similar to those funded in recent years, but will establish specific application policies by May 2013. The policies will specify funding priorities, application procedures, and amounts available at that time for each subcategory. Funds not utilized for this category may be used for the regular CDBG-ED Program. Specific information is available on the web at <http://cdbged.mt.gov/default.mcpix>

### **HOME Investment Partnerships Program**

The goal of the HOME Program, administered within the Housing Division's Housing Assistance Bureau, is to expand the supply of decent, safe, affordable housing for low- and very low-income Montana households. The program achieves this goal through a range of eligible activities including down payment and closing cost assistance to homebuyers; new construction; reconstruction, relocation, and rehabilitation of property;

acquisition of existing buildings, property acquisition in conjunction with new construction, reconstruction and/or rehabilitation, and other activities to develop or preserve non-luxury housing. Tenant-based rental assistance is not an eligible activity for the 2012 application round(s).

Housing needs vary widely across Montana. The extreme diversity in available housing, age of housing stock, and overall range in population complicate the assessment of the type and degree of housing needs. Generally, it was inferred from the household forecast and the survey conducted for the *Montana Housing Needs Assessment*<sup>2</sup> that most housing needs in the state were either medium or high priority. Because of the limited availability of resources and the variety of housing needs, the HOME Program leaves it up to *each community, through detailed local analyses, studies and needs assessments, to determine its own highest priority housing need*. The HOME Program reserves the right to make a determination of local need based on local analyses, studies and needs assessments, which may override the state’s priority level.

Entities eligible to access the state’s HOME Program include general-purpose local governments (counties, incorporated cities and towns, and consolidated city-county governments), community housing development organizations (CHDOs) certified by MDOC, and Montana public housing authorities (PHAs). HOME entitlement cities (currently Billings, Great Falls and Missoula) receive HOME funds directly from HUD and process HOME applications for projects within their city limits. Entitlement cities and the CHDOs and PHAs operating within their boundaries are generally not eligible to access MDOC HOME funds.

The HOME Program will receive \$3,000,000 in FFY 2013 funds, a decrease of nearly 28% from 2011, which will be distributed through competitive and noncompetitive processes.

<b>ANNUAL ALLOCATION</b>	2013 Allocation*	2012**
<b>Annual Allocation</b>	<b>\$ 3,000,000.00</b>	<b>\$ 3,000,000.00</b>
Less:		
10% for MDOC operations	\$ 300,000.00	\$ 300,000.00
<b>Balance Available for Grants</b>	<b>\$ 2,700,000.00</b>	<b>\$ 2,700,000.00</b>
<b>Competitive Grants:</b>		
15% (minimum) for CHDO set aside (competitive)	\$ 450,000.00	\$ 450,000.00
Other competitive grants	\$ 1,350,000.00	\$ 1,500,000.00
<b>Noncompetitive Grants:</b>		
Single Family Noncompetitive Program	\$ 900,000.00	\$ 750,000.00
*Does not include any carryover from previous years		
**Included for comparative purposes		

<sup>2</sup> *Montana Housing Needs Assessment*; Western Economic Services; December 2009; <http://housing.mt.gov/content/CP/docs/CPDocsAndRpts/CP10HNA.pdf>

## **Competitive Application Process**

The HOME Program, through a process of application and competitive ranking, will commit project funds in the third calendar quarter of 2013, with applications due April 12, 2013.

The maximum request for a HOME project is \$750,000 (including soft costs) for rental rehabilitation and new construction, subject to the “Fair Share Test” and “Subsidy Limit Test”, as outlined in the HOME program’s application guidelines. With HOME Program approval, Grantees can use program income, recaptured funds, and/or CHDO proceeds to increase the HOME grant, but not beyond the \$750,000 ceiling.

Administering homeowner rehabilitation programs in small, rural communities can be difficult. In order to take advantage of economies of scale, eligible entities have the option of either submitting a competitive application or becoming qualified under the Single Family Noncompetitive Program, but not both, to conduct homeowner rehabilitation activities. If an eligible entity wants to apply for a competitive grant for homeowner rehabilitation, the entity will need to pre-identify up-front a group of homeowners/homes that would qualify for rehab. The entity would be able to procure services of professionals, such as *an architect or engineer licensed and qualified to work in Montana, lead-based paint clearance inspectors, appraisers, etc., to complete the rehab activities in a specific area. The maximum request for a competitive homeowner rehabilitation project is \$750,000, including soft costs.*

CHDOs receive a minimum 15% (\$450,000 for 2013) set-aside of each fiscal year allocation to perform ownership, sponsorship, and development of housing activities. Generally, the entitlement cities and the CHDOs and PHAs operating within their boundaries are normally not eligible to apply for MDOC HOME funds unless a second round of competition is proposed.

If a substantial amount of funds is not awarded during the first application round due to insufficient applications meeting the minimum funding threshold, at the discretion of MDOC, the remaining funds will be awarded through an open application cycle, the “Open Application Pilot Program”. Applications will be accepted for the Open Application Pilot Program funds on a first come, first serve basis until all 2012 HOME funds and any prior year carryover funds are committed.

Going forward, the “Open Application Pilot Program” will be evaluated and may be used in future years if sufficient uncommitted funds remain after the first competitive application round is complete.

## **Application Selection Criteria**

Grantees (including all entities of a joint application) currently administering a HOME grant are eligible to apply for an additional HOME grant if:

- The grantee is in compliance with the project implementation schedule contained in its HOME contract with MDOC; and
- There are no unresolved audit, monitoring, or performance findings for any previous HOME grant award to the applicant; and
- Grantees with open grants must meet the spend down requirements before applying for additional funds:
  - Grants committed in the federal system “IDIS” Integrated Disbursement & Information must meet the following spend down requirements.
    - 50% of funds must be committed (spent down) before 12 months of commitment date in IDIS
    - 75% of funds must be committed (spent down) before 24 months of commitment date in IDIS
    - 100% of funds must be committed (spent down) before 36 months of commitment date in IDIS including completion report

All projects under consideration for a HOME grant award are evaluated using the following criteria:

Financial Management.....	200 points
Program Management .....	200 points
Project Planning and Need .....	100 points
Capacity Determination .....	<u>100 points</u>
<b>Total points possible .....</b>	<b>600 points</b>

Applications must meet the Minimum Threshold Requirements outlined in the application guidelines and receive at least 100 out of 200 points for the Financial Management criterion in order to be ranked.

In addition, a possible 50 bonus points are available for innovative design in energy efficiency and green building.

Applications for funding must receive at least a total 300 points and receive at least 100 Financial Management Points in order to be eligible for funding. Bonus points cannot be used to bring an application receiving less than 300 points up to a fundable level.

Specific guidelines that relate to the HOME Program competitive application process may be obtained by contacting the HOME Program or by going to the program’s website at <http://housing.mt.gov/HM/hmguidelines.mcp>

## **Noncompetitive Application Processes**

### ***Single Family Noncompetitive Program***

In 2006, the HOME Program instituted a pilot program for HOME-assisted homebuyer assistance (HBA) and homeowner-occupied rehabilitation (HR) activities. The goals of the program include improving the equitable distribution of HOME funds throughout the state for single family activities, using this limited resource of funds in a more strategic, noncompetitive manner, and reducing the expenses related to preparing an application to the HOME Program. After the pilot period was completed, MDOC evaluated the effectiveness of the program and implemented it on an ongoing basis. The program continues to grow and is very effective with recaptured funds being utilized to fund new homebuyers.

For grantees interested in conducting homebuyer assistance and homeowner rehabilitation programs, there is no deadline, no application, and no scoring. Instead, cities, towns, counties, and CHDOs must submit a qualification package that, at a minimum, includes:

- A management plan that follows the template for the Single Family Noncompetitive Program for Homebuyer Assistance or for Homeowner Rehabilitation
- An environmental review for every county and/or city or town<sup>3</sup> within which the qualified entity intends to operate. Each county and/or city or town must designate an Environmental Preparer and, in the case of a local government, a Certifying Official.
- Procedures for complying with lead based paint requirements.
- A public outreach plan for the entity's entire jurisdiction. For entities conducting homebuyer programs, the plan must include outreach to those living in public housing and manufactured housing.
- Evidence of public support from city and/or county officials within the entity's service area.
- Procedures to meet federal requirements related to RESPA and the SAFE Act.

An eligible entity that wants to access the Single Family Noncompetitive Program to conduct homeowner rehabilitation activities must meet all requirements outlined in the Qualification Package. As part of those requirements, the entity will need to demonstrate that it has access to an architect or engineer licensed and qualified to work in Montana, either on staff or under contract, to identify code deficiencies before rehab activities begin and to certify the code deficiencies are corrected after the rehab is complete.

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<sup>3</sup> Unless the City/Town agrees to allow the County to prepare the environmental review for projects located within City/Town limits, a separate environmental review must be done and environmental preparer must be designated for the City/Town

HOME Program staff reviews the package within 60 days of receipt. Once an entity is approved as a Qualified Entity, it enters into a contract with MDOC and begins conducting its single-family program. A recertification process is required every two years.

The entities qualified through the noncompetitive process will enter into a contract with the HOME Program, which will specify an initial dollar amount. The Qualified Entity will use the funds to assist qualified homebuyers or homeowners according to all the stipulations in the approved management plan for the duration of the contract. As the funds are used to assist qualified homebuyers or homeowners, the contract may be amended to increase the dollar amount, subject to the availability of funds in the noncompetitive pool.

For the 2013 program year, the single family set-aside is \$900,000 plus an undetermined amount of recaptured funds and program income.

For homebuyer assistance (HBA) projects, a Qualified Entity has 120 days to draw funds, complete the transaction, and submit a completion report from the date the set-up report is submitted. Draw requests, including applicable back-up documentation, must be submitted to the HOME program within *four (4) weeks* of the loan closing. The HOME program strongly encourages the Qualified Entity to submit the activity set-up report and applicable back-up documentation, as outlined in Exhibit 3.A-1 of the HOME Administration Manual, to the HOME Program well before the expected loan closing date to ensure the activity is eligible.

Funds may be reserved for up to 180 days for HR projects. The HOME Program requires that homeowner rehab projects be submitted for review and pre-approval before the Qualified Entity commits to a rehab activity to ensure the activity meets HOME requirements. The documentation that must be submitted is outlined in Exhibit 3A-3, *Chapter 3, HOME Administration Manual*.

For owner-occupied rehabilitation, a qualified appraiser must establish an after rehab value of the house, incorporating the rehab items, before the rehab starts. The appraisal cannot be conducted until the code deficiencies have been identified and the scope of work has been prepared. The actual rehabilitation of the housing unit must begin within 90 days of the appraisal. A complete set-up package, including the Setup Report, must be submitted prior to any rehab work starting. The activity must be completed within 180 days of the setup, draws must be submitted no less than every 120 days from the date of setup, and the completion report must be submitted within less than 120 days of last draw for the activity.

In keeping with the FHA standard of 120 days for which an appraisal is valid, the activity pre-approval process must be completed (allow 30 days after submittal of documentation for the HOME Program to approve the activity) and the Set-up Report (*Exhibit 3-L, Chapter 3, HOME Grant Administration Manual*) must be submitted within

120 days of the date of the appraisal. If more than 120 days passes before this process is complete, a new appraisal must be obtained.

Beginning April 1, 2011, homebuyers receiving HOME funds for down payment assistance are required to use a MBOH regular bond or set-aside loan for their permanent mortgage. Exceptions to this requirement will be granted. Programs such as Habitat for Humanity, RD Mutual Self Help, RD 502 Direct Loans, and other similar loans will be placed on an "exception list" and will be eligible on an ongoing basis.

**There is a 5% match requirement for each individual homebuyer or homeowner assisted.**

Eligible sources of match for both competitively and noncompetitively funded single family activities are limited to;

- 25% of the face value of a MBOH loan. (Use of an MBOH loan for permanent financing maximizes the match generated for the overall program.)
- Sweat Equity
- Volunteer Labor or Services
- Federal Home Loan Bank Home \$tart Funds
- Individual Development Accounts (IDA)

**NOTE:** MBOH loans typically come with FHA, VA, or RD mortgage insurance or guarantees. First mortgage loans funded by MBOH are eligible as match, as noted above. First mortgages from any federal funding source, such as RD, are **NOT** an eligible source of match, and other sources of eligible matching contributions will need to be identified. Non-MBOH loans guaranteed by FHA, VA, or RD do not count as match.

When proposing sweat equity and/or volunteer labor as a source of matching contributions, a sweat equity and/or volunteer labor worksheet that lists the work item(s), materials needed, who will perform the work, and the date by which the work will be completed must be submitted. The work items must be part of the scope of work for the activity.

When sweat equity and/or volunteer labor is used for matching contributions, the sweat equity and volunteer labor will be valued at the rate determined by HUD, currently \$10.00 per hour, unless the person providing the sweat equity or volunteer labor is licensed to perform the work he/she is contributing. If the person is licensed to perform the work, his/her contribution can be valued at the person's normal hourly rate, which must be verified. A copy of the verification along with a copy of the person's license or other certification must be submitted with the match documentation. Exhibit 4-Q, *Chapter 4, HOME Administration Manual*, must be used to document volunteer labor and sweat equity. The forms should be completed periodically, but no less than monthly (shorter intervals are recommended) and submitted to the HOME program as part of the match documentation.

Entities may collect “administration” costs as soft costs. All soft costs must be actual, documented costs directly related to providing HOME funds for the assisted household. Soft costs cannot be reimbursed for households that ultimately do not receive HOME assistance.

For homebuyer assistance activities, the Qualified Entity may be reimbursed for up to \$1,500 in actual, documented soft costs related to providing HOME assistance to a homebuyer.

For homeowner rehabilitation activities, soft costs will be limited to twelve percent (12%) of the rehabilitation construction costs per unit for each for each homeowner assisted. In addition, the Qualified Entity may be reimbursed for the actual documented costs of code inspections and lead-based paint inspections, testing and clearance for each unit that receives HOME assistance. Additional soft cost may *not* be calculated on the cost of such inspections.

Additional information on the Single Family Noncompetitive Program, including information on how an entity can become qualified for the program may be obtained on the website at <http://housing.mt.gov/HM/hmsfnp.mcp>.

## **Program Income and Recaptured Funds**

The HOME Program expects that an undetermined amount of program income<sup>4</sup> and recaptured funds<sup>5</sup> will be generated from previously awarded grants. HOME grantees may be allowed to retain any program income and/or recaptured funds generated and use the funds for HOME-eligible activities subject to the following requirements.

- Grantees with open grants and MDOC approval to use program income and/or recaptured funds must use any program income and/or recaptured funds for the open grant before requesting additional funds from the HOME Program. For example, if a Grantee has an a current, open multi-family HOME grant, the Grantee must use its program income and/or recaptured funds generated from a homebuyer activity before requesting additional funds from the HOME Program. The Grantee must receive written approval from the HOME Program in order to use the funds. The funds may not be used to increase the HOME grant beyond the \$750,000 grant maximum.
- Previous HOME Grantees that do not have an open grant can either chose to return the program income and/or recaptured funds to MDOC or to become qualified under the Single Family Noncompetitive Program.

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<sup>4</sup> **Program income** is the gross income received which is directly generated from the use of HOME funds, including HOME program income (24 CFR 92.2).

<sup>5</sup> **Recaptured funds** are HOME funds that are recouped when HOME assisted homeownership housing does not continue to be the principal residence of the assisted homebuyer for the full affordability period required by 24 CFR 92.254(a)(4). Recaptured funds represent a return of the original HOME investment.

- a. The Grantee can return accumulated and future program income and/or recaptured funds to MDOC. MDOC will use the funds returned from homeowner and homebuyer activities for further homeowner and homebuyer activities throughout the state through the Single Family Noncompetitive Program; funds generated from competitive activities will be reallocated through the competitive pool of funds.
- b. The Grantee must currently be or must become a qualified entity for the Single Family Noncompetitive Program to use accumulated and future program income and/or recaptured funds for homeowner or homebuyer activities.

## **EMERGENCY SOLUTIONS GRANT Program**

Emergency Solutions Grants, administered by the Public Health and Human Services Intergovernmental Human Services Bureau, help improve the quality of existing emergency shelters for the homeless, make additional shelters available, meet the costs of operating shelters, and provide essential social services to help prevent homelessness. The 10 regional Human Resource Development Councils receive 87.5% of the grant funds. (See table on page 59.) The Public Health and Human Services retains 2.5% for administrative costs, and 10% supports the Homeless management Information System (HMIS) upgrade requirements. The grants fund the renovation, rehabilitation, or operating costs of homeless shelters, and provide follow-up and long-term services to help homeless persons escape poverty. The regional HRDCs determine which shelters are assisted and the services delivered.

Montana's ESG Program distributes funds to each HRDC based upon a formula allocation contained in Administrative Rules of Montana, ARM 53-10-502, pertaining to the Community Services Block Grant. The amount of funds allocated is based on poverty levels and general population in each service area, relative to the poverty and general population of the entire state. All HRDCs will submit work plans, budgets, and reports outlining which of the allowable activities will be undertaken.