



Governor Steve Bullock

# State of Montana

## Annual Action Plan

April 1, 2015 through March 31, 2016



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# Annual Action Plan

## Expected Resources

### AP-15 Expected Resources

#### Introduction

This section describes the resources expected to be allocated by program type throughout the State of Montana during Plan Year One (April 1, 2015-March 31, 2016). The total amount expected for the remaining four years of the Consolidated Plan take into account a five percent decrease in funding per year.

CDBG administration allocations are capped at 20% of the new CDBG allocation in addition to eligible program income received during the project year. HOME administration allocations are capped at 10% of the new HOME allocation and eligible program income received following the required affordability period. Revenue received during a project's affordability period is considered recaptured and may not be used for administration.

Expected revenues for the CDBG program include repayments for funding loaned to businesses that create job opportunities for Montanans of low to moderate income. Expected revenues for the HOME program include recaptured and program income funding generated by the First Time Homebuyer Loan program. The State of Montana will also continue to receive program income attributable to the Neighborhood Stabilization Program. The State is unable to predict the amount of program income that will be received in any given plan year because the amount that will be earned is unknown.

To achieve the most effective and efficient use of CDBG funds, the Director of the Department of Commerce may reallocate up to 15% of the total CDBG allocation among Public Facility, Housing and Neighborhood Renewal, or Economic Development grant categories, depending upon needs in the State during the Plan Year. A reallocation of more than 15% of the total allocation, or the creation or elimination of a grant category, will be considered a substantial amendment to the Action Plan, and would require further steps as identified within the Citizen Participation Plan section of the Consolidated Plan. Reallocations may also be made of any remaining balances within a grant category within the last three months of a 15-month obligation deadline in order to meet the HUD Timely Distribution requirement.

#### Anticipated Resources

**Table 1 - Expected Resources – Priority Table**

Program	Source of Funds	Expected Amount Available Year 1				Expected Amount Available Remainder of Con Plan	Narrative Description
		Annual Allocation	Program Income	Prior Year Resources	Total		
CDBG	Public/Federal	\$5,682,163	\$100,000	\$0	\$5,782,163	\$22,728,652	State Allocation; CDBG funds will be matched in some categories by units of local government; state funds will be used in order to meet CDBG Program match requirements.
	<b>Uses of Funds:</b> Planning, Acquisition, Economic Development, Housing, Public Improvements, Public Services, Administration						

<b>HOME</b>	Public/Federal	\$3,002,167	\$300,000	\$2,700,000	\$6,002,167	\$13,208,668	State Allocation; HOME funds will be matched with additional resources by sub-recipients who receive HOME funds for LIHTC rental housing development; eligible CHDOs and local governments will also provide matching funds within their acquisition, rehabilitation, and resale projects.
	<b>Uses of Funds:</b> Acquisition, Homebuyer Assistance, Rehabilitation, New Housing Development, Administration						
<b>ESG</b>	Public/Federal	\$684,772	\$0	\$0	\$684,772	\$2,739,088	State Allocation; ESG funds will be matched with additional resources by sub-recipients who receive ESG funds.
	<b>Uses of Funds:</b> Financial Assistance, Overnight Shelter, Rapid re-housing, Rental Assistance Services, Homeless Prevention						
<b>HOPWA</b>	Public/Federal	\$0	\$0	\$0	\$0	\$0	
	<b>Uses of funds:</b> Permanent housing facilities, Permanent housing placement, STRMU, Short term or transitional housing facilities, Supportive services, TBRA						
<b>Housing Trust Fund</b>	Public/Federal	\$3,000,000	\$0	\$0	\$3,000,000	\$12,000,000	State Allocation
	<b>Uses of funds:</b> Acquisition, Homebuyer assistance, Other.						

***Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied***

The State of Montana will strive to accomplish the goals of this Consolidated Plan during Plan Year One by effectively maximizing and utilizing all available funding resources to conduct housing and community development activities that will serve the economically disadvantaged residents of the non-entitlement areas of the state.

The CDBG program requires 25% match funding for projects be secured from local funds. The local share of the project budget is usually provided either by a direct cash contribution or by incurring a loan or issuing bonds to be re-paid through user charges or property tax assessments. Other local match sources include loan or grant funds from other competitive state grant programs, funds expended for predevelopment planning, the recently appraised value of land or materials provided by the applicant, and the value of labor performed by the applicant's employees. The 25% match requirement may be waived on a project by project basis if the local government demonstrates financial hardship and satisfies the CDBG waiver request requirements. The State of Montana provides state general fund match for the administration of the CDBG program.

The HOME program requires 25% match funding for projects be dedicated from non-federal sources. The match for a HOME project is typically obtained through the use of Low Income Housing Tax Credits. Other local match sources include local costs of infrastructure installation to serve HOME-assisted units, proceeds from bond financing, deferred or waived state or local taxes or fees, and the value of donated land. Funds will also be leveraged with resources from the CHDOs, who may be funded with HOME funds through the CHDO set-aside (15%).

ESG funds are frequently matched by sub-recipients who provide transitional housing and/or supportive services through the MTCoc Program. A significant amount of local ESG sub-recipients contribute additional resources such as block grant funds and local philanthropic foundation resources to the homeless programs they operate.

No match is required for CDBG housing or neighborhood renewal grants, but the applicants attempts or inability to leverage other private, local, state, or federal funds is taken into account in ranking a proposed project for CDBG housing or neighborhood renewal grant funding.

*If appropriate, describe publically owned land or property located within the jurisdiction that may be used to address the needs identified in the plan*

The State of Montana does not anticipate that any publicly owned land or property will be used to address the needs identified in the plan. The majority of state-owned land is either maintained as state recreational land or managed so as to obtain the highest financial return possible for the state's K-12 public school system and other beneficiaries, as mandated by Montana statutes. Local entities applying for CDBG or HOME grant funds may use publicly owned land or property to help accomplish a local project on a case-by-case basis, and in most cases such donations or offers will be considered local match resources.

## Annual Goals and Objectives

### AP-20 Annual Goals and Objectives

#### Goals Summary Information

Below is information on the goals for Plan Year One for each of the Consolidated Plan Programs.

**Table 2 – Goals Summary**

#	Goal Name	Years	Category	Area	Needs Addressed	Funding	Goal Outcome Indicator
1	<b>Preserve and Construct Affordable Housing</b>	April 1, 2015 to March 31, 2016	Affordable Housing	Statewide	Affordable Housing Preservation and Construction	CDBG: \$1 million HOME: \$2 million NHTF: \$3 million	Rental units constructed: 25 Household/Housing Units  Rental units rehabilitated: 25 Household/Housing Units  Homeowner Housing Added: 5 Household/Housing Units  Homeowner Housing: 4 Rehabilitated Household/Housing Units  Direct Financial Assistance to Homebuyers: 50 Households Assisted
2	<b>Plan for Communities</b>	April 1, 2015 to March 31, 2016	Non-Housing Community Development	Statewide	Community Planning	CDBG: \$500,000	N/A
3	<b>Improve and Sustain Public Infrastructure</b>	April 1, 2015 to March 31, 2016	Non-Housing Community Development	Statewide	Improving and Sustaining Vital Public Infrastructure	CDBG: \$2 million	Public Facility or Infrastructure Activities for Low-Moderate Income (LMI) Housing Benefit: 1,000 Households Assisted
4	<b>Revitalize Local Economies</b>	April 1, 2015 to March 31, 2016	Non-Housing Community Development	Statewide	Economic Revitalization	CDBG: \$1.5 million	Jobs created/retained: 20 Jobs  Businesses assisted: 4 Businesses Assisted  Facade treatment/business building rehabilitation: 1 Business  Brownfield acres remediated: 1 Acre Remediated
5	<b>Reduce Homelessness</b>	April 1, 2015 to March 31, 2016	Homeless	Statewide	Reducing Homelessness	CDBG: \$1 million HOME: \$1 million ESG: \$680,000	Rapid Rehousing: 600 Households Assisted  Overnight Shelter: 120 Persons Assisted  Overnight/Emergency Shelter/Transitional Housing Beds Added: 5 Beds  Homelessness Prevention: 600 Persons Assisted  Housing for Homeless added: 10 Household/Housing Units

## *Goal Descriptions*

**1. Preserve and Construct Affordable Housing:** The State of Montana will use CDBG and HOME resources to fund affordable housing activities that primarily benefit persons of LMI.

**2. Plan for Communities:** The State of Montana will use CDBG funds to help communities engage in various types of planning, including comprehensive community development, housing, public infrastructure, business, downtown revitalization, and preliminary project design. A wide variety of activities are funded that primarily serve persons of LMI throughout the State.

**3. Improve and Sustain Public Infrastructure:** The State of Montana will use CDBG funds to improve existing and construct new public water, wastewater, and storm drain infrastructure that primarily serve persons of LMI throughout the State.

**4. Revitalize Local Economies:** The State of Montana will use CDBG funds to create jobs, expand businesses, and revitalize historic downtown business districts. A wide variety of activities are funded that primarily serve persons of LMI throughout the State.

**5. Reduce Homelessness:** The State of Montana will use CDBG, HOME, and ESG funds to provide shelter and services for homeless persons and persons at risk of homelessness. Activities may include construction, rehabilitation, and direct assistance to serve this clientele throughout the State.

## Allocation Priorities

### AP-25 Allocation Priorities

#### Introduction:

As set forth in the adopted application guidelines for the program, the State of Montana will prioritize the award of HOME funds to eligible applicants that propose to preserve and construct affordable housing and reduce homelessness. The State of Montana will prioritize the award of CDBG funds to eligible applicants that engage in community planning, sustain and improve vital public infrastructure, revitalize local economies, and preserve and construct affordable housing, and reduce homelessness. The State of Montana will continue to use ESG funds to reduce homelessness across the State.

#### Funding Allocation Priorities

Table 3 – Funding Allocation Priorities

	Preserve and Construct Affordable Housing	Plan for Communities	Improve and Sustain Public Infrastructure	Revitalize Local Economies	Reduce Homelessness
CDBG	15%	10%	35%	25%	15%
HOME	67%	0	0	0	33%
ESG	0	0	0	0	100%
HOPWA	0	0	0	0	0%
Housing Trust Fund	0	0	0	0	0%

#### Reason for Allocation Priorities

The State of Montana identified the allocation priorities set forth above for Plan Year One through the Needs Assessment and Market Analysis, past experience administering the competitive and non-competitive CDBG and HOME grant programs, and consultation with the state’s local government, non-profit, and private sector partners. The allocation priorities also reflect the extent to which eligible entities have other sources of funding available to accomplish each priority.

With respect to the ESG Program, the State of Montana does not currently allocate funds based on priority needs but rather focuses on allocating funds, in consultation with the MTCOC to ensure the provision of ESG services statewide so all homeless and near homeless Montanans have access in or near their communities. Based on planning, ESG funds are allocated to the 10 regional Human Resource Development Councils (HRDCs) in Montana. Funds are distributed based on a formula allocation, reflecting areas of poverty and general population, as set forth in Section 53-10-502, Mont. Code Annotated, pertaining to the federal 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 submit work plans, budgets, and reports outlining which of the allowable activities will be undertaken.

***How will the proposed distribution of funds address the priority needs and specific objectives described in the Consolidated Plan?***

The priority needs, and the allocation of funds to address those needs as set forth above, are designed to specifically address the State of Montana’s objectives described in this Consolidated Plan.

***Support existing Montana communities.*** Montana will target CDBG and HOME funding toward existing communities to increase community revitalization, improve the efficiency of public infrastructure, and safeguard rural landscapes and natural resources through comprehensive planning, rehabilitation of existing homes, and developing and rehabilitating community facilities and services within walkable neighborhoods and/or neighborhoods served by public transportation systems.

***Invest in vital public infrastructure.*** By using CDBG funds for public infrastructure, Montana will encourage appropriate and comprehensive pre-development planning activities for public infrastructure, provide funding opportunities to improve the safety and efficiency of public infrastructure, safeguard the environment, and maximize existing public infrastructure investments.

***Enhance Montana’s economic competitiveness.*** Montana is committed to utilizing employment as the primary strategy for poverty reduction. Montana will use CDBG funds to revitalize local economies, provide reliable and timely access to employment centers, educational opportunities, services and other basic needs by workers, and expand business access to markets, with a particular focus on employment opportunities located within traditional downtown business centers comprising a mix of businesses, housing, and services. Only Institutions of Higher Education may collaborate with local governments to access CDBG public service funds for workforce training and education courses in order to increase job creation, retention and advancement opportunities.

***Promote equitable, affordable housing in Montana.*** Montana is committed being great place to live, work, and play, and that quality of life starts with equitable access to affordable housing. Montana will use CDBG and HOME funding for preserving and constructing affordable housing that increases mobility and lowers the combined cost of housing and transportation, advancing solar and other on-site renewable energy installations aligned with the Federal Renewable Energy Target, and increasing homeownership and rental opportunities for eligible Montanans, particularly those with special needs and the elderly.

***Reduce homelessness in Montana.*** Montana and its partners have adopted a strategic plan to end family homelessness by 2016, veteran homelessness by 2019, individual chronic homelessness by 2022, and all homelessness in the State by 2023. Montana will target CDBG, HOME, and ESG funds to activities that address the housing needs and increase the level of assistance programs to homeless Montanans and/or those at risk of homelessness.

## Method of Distribution

### *AP-30 Method of Distribution*

#### *Introduction:*

The Methods of Distribution are identified for CDBG, HOME, and ESG for Plan Year One. For purposes of providing more detailed information, the IDIS eCon Planning Suite System distribution method table has been supplemented and reformatted in order to provide the public with a clearer picture of the State of Montana's Methods of Distribution for Plan Year One.

#### *Distribution Methods*

##### **Community Development Block Grant Program (CDBG)**

CDBG funds will be used for various activities authorized in Section 105(a) of the amended 1974 Housing and Community Development Act that meet national CDBG objectives. Projects are funded in order to meet the CDBG National Objective to benefit persons of low-moderate income (LMI) persons.

The State of Montana annually certifies that not less than 70% of the aggregate funds received during a 3-year period (as identified to HUD) shall be used for activities benefitting persons of LMI. CDBG funds are distributed throughout the state's non-entitlement areas (outside Billings, Great Falls, and Missoula) and targeted for activities that serve persons of LMI. Projects funded with CDBG resources typically provide a community-wide benefit.

Funds are reserved in each category based on a percent of the total funds available for distribution to local governments. The State is allowed \$100,000 plus 3% of the State grant for administration and technical assistance in accordance with HUD regulations. The State is also allowed 3% of the program income received by units of general local government (whether retained by the unit of general local government or paid to the State) and funds reallocated by HUD to the State.

To achieve the most effective and efficient use of CDBG funds, Director of the Department of Commerce may reallocate up to 15% of the total CDBG allocation among Public Facility, Housing and Neighborhood Renewal, or Economic Development grant categories, depending upon needs in the State during the Plan Year. A reallocation of more than 15% of the total allocation, or the creation or elimination of a grant category, will be considered a substantial amendment to the Action Plan, and will require further steps as identified within the Citizen Participation Plan section of the Consolidated Plan. Reallocations may also be made of any remaining balances within a grant category within the last three months of a 15-month obligation deadline in order to meet the HUD Timely Distribution requirement.

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**State Program Name:** CDBG Housing and Neighborhood Renewal

**Funding Sources:** CDBG

**Describe the State Program addressed by the Method of Distribution:** Within the Priority Need to Preserve and Construct Affordable Housing, CDBG funds are utilized for the acquisition and new construction of rental or homeownership units, rehabilitation of rental or homeownership units, and down payment and closing cost assistance made available to persons at or below 80% of the Area Median Income.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria:** Commerce uses the Uniform Application for Montana Housing Loan, Grant & Tax Credit Programs for CDBG Housing and Neighborhood Renewal applications. CDBG Housing and Neighborhood Renewal funds are only available for non-entitlement units of general local government. The CDBG Housing and Neighborhood Renewal ranking criteria are listed below and indicate the maximum score that can be obtained for each:

	Maximum Possible Points
Community Planning	175
Need for Project	175
Project Strategy	150
Community Efforts and Citizen Participation	100
Benefit to Low and Moderate Income Persons	150
Implementation and Management	175
<b>TOTAL MAXIMUM POSSIBLE POINTS</b>	<b>925</b>

**If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only):** CDBG Grant Program applications, grant application guidelines, the project grant administration manual, and other relevant information and resources are available on the Commerce website at <http://comdev.mt.gov/CDBG/default.mcp.x>.

**Describe how resources will be allocated among funding categories:** For Plan Year One, the State of Montana will allocate \$1,000,000 in CDBG resources to CDBG Housing and Neighborhood Renewal activities. The Housing and Neighborhood Renewal award amount is based on beneficiary data of the project area, the feasibility and need for the activity, and the availability of other federal or state resources for the activity.

**Describe threshold factors and grant size limits.** Each project funded must meet the CDBG National Objective of benefiting persons of LMI. Up to \$450,000 in CDBG funds may be awarded per project for project activity.

**Anticipated Outcome Measure:** 12 rental or homeowner units will be constructed; 12 rental or homeowner units will be rehabilitated; and 5 homebuyers will be assisted

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**State Program Name:** CDBG Public Facilities

**Funding Sources:** CDBG

**Describe the State Program addressed by the Method of Distribution:** Within the Priority Needs to Improve and Sustain Public Infrastructure and Reduce Homelessness, CDBG funds are utilized to construct new or rehabilitate existing public infrastructure or community service facilities to benefit geographical areas with an LMI percentage of 51% or higher, or direct benefits to persons of LMI.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria:** For public infrastructure projects, Commerce uses the Uniform Application for Montana Public Facility Projects. CDBG Public Facility funds are only available for non-entitlement units of general local government. The CDBG Public Facility ranking criteria are listed below and indicate the maximum score that can be obtained for each:

	Maximum Possible Points
Community Planning	175
Need for Project	175
Project Strategy	150
Community Efforts and Citizen Participation	100
Need for Financial Assistance	200
Benefit to Low and Moderate Income Persons	150
Implementation and Management	175
<b>TOTAL MAXIMUM POSSIBLE POINTS</b>	<b>1,125</b>

**If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only):** CDBG Grant Program applications, grant application guidelines, the project grant administration manual, and other relevant information and resources are available on the Commerce website at <http://comdev.mt.gov/CDBG/default.mcp.x>.

**Describe how resources will be allocated among funding categories:** For Plan Year One, the State of Montana will allocate \$2,000,000 in CDBG resources to CDBG Public Facilities activities. The Public Facilities allocation amount is based on beneficiary data of the project area, the feasibility and need for the activity, and the availability of other federal or state resources for the activity.

**Describe threshold factors and grant size limits.** Each project funded must meet the CDBG National Objective of benefiting persons of LMI. Up to \$450,000 in CDBG funds may be awarded per project for project activity.

**Anticipated Outcome Measure:** 1,000 LMI households will be served with new or rehabilitated public infrastructure systems; 5 units of non-rental shelter will be constructed or rehabilitated

**State Program Name:** CDBG Economic Development

**Funding Sources:** CDBG

**Describe the State Program addressed by the Method of Distribution:** Within the Priority Needs to Revitalize Local Economies, CDBG funds are utilized to make loans or grants to businesses for acquisition, construction, installation, or rehabilitation of commercial and industrial buildings, facilities, equipment, or working capital, or train employees.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria:** CDBG Economic Development applications are reviewed and ranked according to the applicant’s ability to demonstrate that 51% or more of the jobs created or retained are held by or will be filled by qualified persons with LMI, document an areawide benefit, or exclusively serve a specific limited clientele.

**If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only):** CDBG Grant Program applications, grant application guidelines, the project grant administration manual, and other relevant information and resources are available on the Commerce website at <http://comdev.mt.gov/CDBG/default.mcp.x>.

**Describe how resources will be allocated among funding categories:** For Plan Year One, the State of Montana will allocate \$1,500,000 in CDBG resources to CDBG Economic Development activities. The Economic Development allocation amount is based on beneficiary data of the project area, the feasibility and need for the activity, and the availability of other federal or state resources for the activity.

**Describe threshold factors and grant size limits.** Each project funded must meet the CDBG National Objective of benefiting persons of LMI. Up to \$400,000 in CDBG funds may be awarded per project for project activity.

**Anticipated Outcome Measure:** 20 jobs will be created or retained; four businesses assisted; one façade treatment or business building rehabilitation will be completed; and 1 acre of brownfields remediated.

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**State Program Name:** CDBG Housing, Public Facilities, and Economic Development Planning Grants

**Funding Sources:** CDBG

**Describe the State Program addressed by the Method of Distribution:** Within the Priority Needs to Plan for Communities, CDBG funds are utilized to engage in comprehensive planning, downtown master planning, business development planning, market studies, preliminary architectural reports, asset management, needs analysis, preliminary engineering, and other studies or plans that support the sustainability of local communities, affordable housing, public works investments, vital employment centers, and the environment.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria:** The CDBG Planning category is administered by the Community Development Division within Commerce. CDBG Planning applications are accepted on an on-going basis, and are reviewed and ranked according to the extent to which each applicant's proposal addresses the State of Montana's priority needs as set for in the Consolidated Plan and this Action Plan.

**If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only):** CDBG Grant Program applications, grant application guidelines, the project grant administration manual, and other relevant information and resources are available on the Commerce website at <http://comdev.mt.gov/CDBG/default.mcp.x>.

**Describe how resources will be allocated among funding categories:** For Plan Year One, the State of Montana will allocate \$500,000 in CDBG resources to CDBG Planning activities. The Planning allocation amount is based on beneficiary data of the project area, the feasibility and need for the activity, and the availability of other federal or state resources for the activity.

**Describe threshold factors and grant size limits.** Each project funded must meet the CDBG National Objective of benefiting persons of LMI. Up to \$50,000 in CDBG funds may be awarded per project for project activity.

**Anticipated Outcome Measure:** Not applicable.

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**State Program Name:** HOME Single-Family Noncompetitive

**Funding Sources:** HOME

**Describe the State Program addressed by the Method of Distribution:** Within the Priority Needs to Preserve and Construct Affordable Housing, HOME funds are provided to local governments that apply for funding with housing partners to provide down payment and closing cost assistance, within the maximum amounts established annually in the HOME Administrative Manual, to low-income homebuyers to help them purchase a home. Assisted homebuyers must complete homebuyer education and counseling, and the purchased home must meet universal physical conditions standards (UPCS). The purchase price for the property cannot exceed HUD purchase-price limits and strict resale or recapture provisions are placed on the HOME-assisted units for the period of affordability.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria:** Those applicants that can demonstrate compliance with the HOME regulations and requirements for homebuyer down payment and closing cost assistance are eligible for HOME funds. HOME Program applications, grant application guidelines, the project grant administration manual, and other relevant information and resources are available on the Commerce website at <http://housingcdd.mt.gov/hm/default.mcp.x>.

**Describe how resources will be allocated among funding categories:** For Plan Year One, the State of Montana will

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allocate \$500,000 in HOME resources to HOME Single-Family Noncompetitive activities. The Single-Family Noncompetitive allocation amount is based on beneficiary data of the project area, the feasibility and need for the activity, and the availability of other federal or state resources for the activity.

**Describe threshold factors and grant size limits.** All funded Single-Family Noncompetitive activities must meet HOME requirements. Up to \$30,000 in HOME funds may be awarded per homeowner for down payment and closing cost assistance.

**Anticipated Outcome Measure:** 45 homebuyers will be assisted with down payment and closing cost assistance.

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**State Program Name:** Competitive HOME Program

**Funding Sources:** HOME

**Describe the State Program addressed by the Method of Distribution:** Within the Priority Needs to Preserve and Construct Affordable Housing and Reduce Homelessness, HOME funds can be used to acquire, rehabilitate, or construct affordable rental units, homeownership units, or permanent or temporary housing for homeless individuals or youth. The purchase price for the property cannot exceed HUD purchase-price limits, strict resale and recapture provisions are placed on the HOME-assisted units for the period of affordability, and HUD-established HOME rents are used for each HOME-assisted unit. The Department will set aside a minimum of 15% of HOME funds for units of local government that will apply for funding for activities sponsored, developed, or owned by Community Housing Development Organizations (CHDOs). CHDO-partnered applicants will receive first consideration on eligible projects that meet the criteria of the Competitive HOME Program.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria:** Those applicants that can demonstrate project compliance with the HOME regulations and requirements are eligible for HOME funds. HOME Program applications, grant application guidelines, the project grant administration manual, and other relevant information and resources are available on the Commerce website at <http://housingcdd.mt.gov/hm/default.mcp.x>.

**Describe how resources will be allocated among funding categories:** For Plan Year One, the State of Montana will allocate \$2,500,000 in HOME resources to HOME Competitive activities. The Competitive HOME allocation amount is based on beneficiary data of the project area, the feasibility and need for the activity, and the availability of other federal or state resources for the activity.

**Describe threshold factors and grant size limits.** All funded Competitive HOME activities must meet HOME requirements. Up to \$750,000 in HOME funds may be awarded per project.

**Anticipated Outcome Measure:** 13 rental or homeowner units will be constructed; 13 rental or homeowner units will be rehabilitated; and 5 units of permanent or temporary housing for homeless individuals or youth will be constructed or rehabilitated

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**State Program Name:** ESG Program

**Funding Sources:** ESG

**Describe the State Program addressed by the Method of Distribution:** Within the Priority Needs to Reduce Homelessness, ESG funds will support activities that provide a comprehensive approach to address the needs of people who are homeless or at risk of homelessness in Montana. These activities are intended to: assist in the prevention and alleviation of homelessness; provide temporary and/or permanent housing for persons who are homeless; and to encourage the development of projects that link housing assistance programs with efforts to promote self-sufficiency. The MTCoC system has been developed to help ensure that people who are homeless or at risk of homelessness are able to access needed emergency shelter, street outreach, homelessness prevention, and rapid rehousing services statewide.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria:**

Needs assessments and strategic planning are conducted by the HRDCs to ensure the best alignment of resources available with the needs of low-income people within the services area and the agencies' ability to provide specific services and the expected outcomes. Partnerships with other organizations are considered essential to eliminate duplication of services to best meet the needs within the communities. Funding is provided to emergency shelters operating in the various service areas. Reporting of services and outcomes are submitted annually to the National Association of State Community Service Providers (NASCS) and reported to Congress as part of the Community Service Block Grant (CSBG) Program. The ESG Program Policy Manual is available on the MDPHHS website at <http://dphhs.mt.gov/Portals/85/hcsd/documents/ESGPolicyManual.pdf>.

**Describe how resources will be allocated among funding categories:** For Plan Year One, the State of Montana will allocate the full ESG award of \$684,772 to ESG program activities.

**Describe threshold factors and grant size limits.** Activities and amounts are determined at the local level by each HRDC in accordance with the MTCOC plan.

**Anticipated Outcome Measure:** 600 households will be served with rapid rehousing; 120 persons will be assisted with overnight shelter; and 600 persons assisted with homelessness prevention

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## Project Summary

### *AP-38 Project Summary*

There are currently no Plan Year One projects to report at this time.

## Section 108 Loan Guarantee

### *AP-40 Section 108 Loan Guarantee*

*Will the state help non-entitlement units of general local government to apply for Section 108 loan funds?*

No.

#### *Available Grant Amounts*

Not applicable.

#### *Acceptance Process of Applications*

Not applicable.

## Community Revitalization Strategies

### *AP-45 Community Revitalization Strategies*

*Will the state allow units of general local government to carry out community revitalization strategies?*

No.

*State's Process and Criteria for approving local government revitalization strategies*

Not applicable.

## Geographical Distribution

### *AP-50 Geographical Distribution*

#### *Description of the geographic areas of the state (including areas of low-income and minority concentration) where assistance will be directed*

As described in the Consolidated Plan, the State of Montana will not target any particular geographic area for special assistance, but will allow any non-entitlement community to apply for CDBG and all communities to apply for HOME program funding, dependent on eligible activities and programs. Entitlement communities may apply for competitive HOME funds if the project demonstrates clear segregation between State HOME-assisted units and Entitlement-assisted units. ESG funds are allocated throughout the state. Therefore, the Geographic Distribution table generated by the IDIS system has been left blank.

#### *Rationale for the priorities for allocating investments geographically*

Not applicable.

## Affordable Housing

### AP-55 Affordable Housing

#### Introduction

Below is a summary of the Plan Year One goals for a number of categories that relate to affordable housing. These goals are related only to the federal resources provided through CDBG, HOME, and ESG, and do not include numbers for those persons assisted through other federal or state resources.

**Table 4 - One Year Goals for Affordable Housing by Support Requirement**

One Year Goals for the Number of Households to be Supported	
Homeless	1,335
Non-Homeless	109
Special Needs	25
<b>Total</b>	<b>1,469</b>

**Table 5 - One Year Goals for Affordable Housing by Support Type**

One Year Goals for the Number of Households Supported Through:	
Rental Assistance	600
Production of New Units	30
Rehabilitation of Existing Units	29
Acquisition of Existing Units	5
<b>Total</b>	<b>664</b>

#### Discussion

As the information above demonstrates, a significant number of households are served annually through the State of Montana's affordable housing programs.

Rental assistance will be completed primarily through ESG resources that include financial assistance including rental application fees, security and utility deposits, last month's rent, utility payments, and moving costs; and short-term rent assistance.

The production of new units will be completed primarily through HOME and CDBG resources in coordination with Low Income Housing Tax Credits and private financing.

Acquisition and rehabilitation of existing units will be completed primarily through the CDBG non-competitive housing program.

## Public Housing

### *AP-60 Public Housing*

#### *Introduction*

The State of Montana Housing Division manages and oversees Tenant-Based Section 8 funds to Public Housing Authorities (PHAs) throughout the state. The State of Montana will continue to work with the PHAs to house Montana's low-income households.

#### *Actions planned during the next year to address the needs to public housing*

This Action Plan is for a State grantee, and therefore no summary information is available on the actions planned for the PHAs in Montana. This information would be obtained by contacting a given PHA within a designated geographic area.

#### *Actions to encourage public housing residents to become more involved in management and participate in homeownership*

This Annual Action Plan is for a State grantee, and therefore no summary information is available on the actions planned for multiple PHAs in Montana. This information would be obtained by contacting a given PHA within a designated geographic area.

#### *If the PHA is designated as troubled, describe the manner in which financial assistance will be provided or other assistance*

Not Applicable.

#### *Discussion*

This Annual Action Plan is for a State grantee, and therefore no summary information is available on the actions planned for multiple Public Housing Authorities in Montana. This information would be obtained by contacting a given PHA within a designated geographic area.

## Homeless and Other Special Needs Activities

### *AP-65 Homeless and Other Special Needs Activities*

#### *Introduction*

*Describe the jurisdictions one-year goals and actions for reducing and ending homelessness, including:*

- *Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs*

Montana divides itself into twelve districts to participate annually in the National Point-in-Time Counts of homeless, unduplicated one night estimates of both sheltered and unsheltered homeless populations, occurring during the last week in January of each year. One finding from that survey is that a growing segment of the homeless population is women, children, and families that have experienced life-altering situations, such as job loss, disaster, divorce, or abuse that have driven them into homelessness.

Montana uses the Continuum of Care model that originated with U.S. Department of Housing and Urban Development, with the goal of supporting the transition of homeless individuals into stabilized self-sufficiency in affordable housing. It is important to note that the Montana Continuum of Care feels that multiplying a single night's data into an annual estimate does not necessarily result in an accurate representation.

- *Addressing the emergency shelter and transitional housing needs of homeless persons*

Montana encourages efforts to provide shelter and other basic needs to people who are currently homeless. In addition, because preventing homelessness is much less costly than addressing the problem after housing has been lost, Montana also supports efforts that will help people in crisis who are at risk of losing existing housing (homeless prevention) and place homeless people into permanent and affordable housing accompanied by intensive services that will aid them in establishing long-term stability (rapid re-housing).

- *Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again*

As indicated in the Needs Assessment and Market Analysis, the longer one is homeless, the more difficult and costly it is to stabilize and re-house that person. During Plan Year One, the State of Montana will seek to accomplish the following targets for reducing homelessness:

STRATEGIES	1. Reallocation of TH to RR or Permanent Supportive Housing (PSH)		2. ESG Rapid Rehousing (Family Only)		3. TANF Short-term Rent Assistance		4. Prioritize Section 8 Vouchers for PSH Graduates		5. Decrease LoS- Increase Turnover PSH to Affordable Housing		6. 50 Montana State-Funded Vouchers		Total New Beds	Total Number Households* Served
	Per Year	Total	Per Year	Total	Per Year	Total	Per Year	Total	Per Year	Total	Per Year	Total		
2015	10	10	30	30	10	10	10	10	5	5	20	20	85	27
2016	10	20	15	45	20	30	15	25	5	10	20	40	85	27
Cumulative Total Beds	20		45		30		25		10		40		170	54

- *Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs*

DPHHS works with the MTCoc to leverage resources and provide increased and coordinated services to homeless across the state. DPHHS aligns its strategy for reducing and ending homelessness with the CoCs. DPHHS and subgrantees of ESG funding participate in MTCoc strategic planning discussions and attend working meetings.

The MTCoc prioritizes and ranks homeless projects each year and prepares a consolidated, statewide continuum of care application in response to the Notice of Funding Availability (NOFA). Projects originate from local community continuums of care or a state agency. Project approvals are based upon performance and capacity criteria as well as local needs and HUD priorities.

ESG funds are used to meet the needs of the homeless and those at risk of homelessness at the local level. Activities include rental assistance, financial assistance of rental application fees, security and utility

deposits and payments, case management, housing search and support for toll free telephone referral hotlines for domestic abuse; referral to mainstream resources; assistance to shelters for victims of domestic and sexual violence, youth homes, and food banks. All HRDCs submit work plans, budgets, and reports outlining which of the allowable activities will be undertaken.

**HOPWA Goals**

***AP-70 HOPWA Goals***

Not applicable.

## Barriers to Affordable Housing

### *AP-75 Barriers to Affordable Housing*

#### *Introduction*

Several barriers to affordable housing development and maintaining residency in housing were identified in the Needs Assessment, Market Analysis, and draft *Analysis of Impediments to Fair Housing Choice in Montana* (AI) of the *Draft 2015–2020 Montana Consolidated Plan for Housing and Community Development*, including:

- Rental unit owners or managers refusing to rent to prospective tenants based on their status in a protected class, particularly disability, race, and familial status;
- Negative patterns of lending and investment, particularly with respect to denial of loans and predatory loan terms for American Indian residents, Hispanic residents, and women;
- Lack of knowledge or understanding regarding fair housing laws or housing opportunities;
- Inadequate access to public transportation;
- Insufficient monitoring, oversight, or enforcement of fair housing laws; and
- Lack of local capacity to plan, obtain funding for, administer, and complete affordable housing projects.

#### *Actions planned to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment*

*Action 1:* The State of Montana will engage partnerships that support and enhance outreach to and education of landlords and property management companies about fair housing rights.

*Action 2:* The State of Montana will support efforts to conduct audit tests on rental units.

*Action 3:* The State of Montana will ensure fair housing training is provided at the annual Montana Housing Conference and other local, regional, and statewide conference and education events, and will broadcast such meetings statewide using internet/online, digital, and phone capabilities.

*Action 4:* The State of Montana will help distribute fair housing informational flyers or brochures to grantees, applicants, and the general public.

*Action 5:* The State of Montana will create partnerships that enhance outreach and education for American Indian homebuyers through educational forums, credit counseling, and home purchase training.

*Action 6:* The State of Montana will continue to engage with the network of local fair housing organizations in Montana, and will encourage creation or inclusion of an additional fair housing participant specific to the American Indian population.

*Action 7:* The State of Montana will consider the extent to which a project addresses an identified barrier to affordable housing in its competitive review and ranking of applications for CDBG and HOME grant awards.

*Action 8:* The State of Montana will provide outreach to and train prospective grantees and units of local government on affirmatively furthering fair housing.

*Action 9:* The State of Montana will sponsor or co-sponsor events during Fair Housing Month and throughout the year and work to increase awareness of fair housing rights.

*Action 10:* The State of Montana will help create model “best practice” fair housing practices for distribution to grantees and units of local government.

### ***Discussion***

Through the above identified actions during Plan Year One, the State of Montana will continue to address barriers to affordable housing. The State of Montana is committed to addressing these barriers throughout the implementation of the 2015-2019 Consolidated Plan.

## Other Actions

### *AP-85 Other Actions*

#### *Introduction*

The following are actions planned for Plan Year One and throughout the course of the Consolidated Plan period (2015-2019).

#### *Actions planned to address obstacles to meeting underserved needs*

All of the activities which will be funded under the State of Montana's CDBG, HOME, and ESG Programs will address obstacles to meeting underserved needs. The State will identify and respond to underserved needs as they arise from self-evaluation and citizen participation.

#### *Actions planned to foster and maintain affordable housing*

The State of Montana's has identified preserving and constructing affordable housing as one of its high priority needs. As set forth in the Consolidated Plan, actions planned to foster and maintain affordable housing include: developing additional rental housing; developing additional homeownership units; providing down payment assistance; providing owner-occupied rehabilitation activities, and other housing activities. These actions will be funded through the HOME and CDBG as set forth above.

#### *Actions planned to reduce lead-based paint hazards*

The State of Montana will continue to diligently support rehabilitation and construction activities in order to ensure that households, particularly those with children, benefiting from federal housing programs are safe from LBP hazards. Both Commerce and DPHHS provide education and information on LBP hazards to parents, families, healthcare providers, grant recipients, and contractors. Commerce requires that any contractor or subcontractor engaged in renovation, repair, or painting activities are certified and use lead-safe work practices, as required by the U.S. Environmental Protection Agency. If structures are being funded by CDBG or HOME for rehabilitation or homebuyer assistance activities, the units must be tested for LBP and if positive, the LBP must be removed during rehabilitation or prior to occupancy. HOME or CDBG-assisted units constructed before 1980 must be tested for lead-based paint using HUD Performance Characteristics Sheet Testing and applicable industry standards. CDBG or HOME-assisted units must be free of lead-based paint prior to occupancy. In addition, UPCS inspections will be performed annually at HOME, Section 8, and other public rental properties throughout the state. For many projects, CDBG and HOME program funds can be used to assist with the cost of LBP testing and remediation activities.

The Community Development and Housing Divisions will add HUD's on-line Lead-Based Paint Visual Assessment Training to its employee on-boarding process to ensure that all staff involved in the funding of housing projects through the Department of Commerce are trained in identifying deteriorated paint and increased risk of the presence of LBP hazards.

### ***Actions planned to reduce the number of poverty-level families***

The State of Montana, in coordination with non-profit organizations and the private sector, can influence the chances of helping individuals and families in poverty by supporting local and regional efforts to improve family and individual incomes. All of the strategies and priorities identified in this Consolidated Plan target the improvement of economic conditions of Montanans of lower income, from the rehabilitation and construction of affordable housing, homebuyer assistance, and temporary shelter services to investment in compact, walkable development where efficiencies of public infrastructure, community services, and employment centers encourage healthy, vital, and resilient communities.

### ***Actions planned to develop institutional structure***

Gaps in the institutional delivery system exist primarily due to funding limitations that are outside the control of the State of Montana. CDBG, HOME, and ESG resources are not adequate to meet the needs of Montanans of low-moderate income, with special needs, or experiencing homelessness. However, the ability to effectively relay information regarding existing grant opportunities and technical assistance from the State of Montana for eligible entities continues to be one of the State's greatest challenges. There are areas of opportunity for increased collaboration vertically and horizontally across and between agencies, organizations, and the private sector to ensure that services are delivered to the greatest amount of eligible entities and individuals in the state. During Plan Year One, the State will actively engage the public and private sectors in broad discussions and educational opportunities regarding the economic, social, environmental, and health benefits of creating walkable communities with increased opportunities and access to affordable housing, community services, existing public infrastructure efficiencies, and jobs.

### ***Actions planned to enhance coordination between public and private housing and social service agencies***

The State of Montana will continue to coordinate with public and private partners to discuss current projects and methods to coordinate efforts throughout the State. DPHHS is represented on various social service state advisory groups to ensure housing services are coordinated with social services for needy populations in Montana. DPHHS works proactively with its MTCOC partners to ensure that efficient and effective coordination of services exists between affordable housing and social services.

### ***Discussion***

Through the above identified actions during Plan Year One, the State of Montana will continue to address these various issues. The State of Montana is committed to addressing these issues throughout the implementation of the 2015-2019 Consolidated Plan.

## Program Specific Requirements

### *AP-90 Program Specific Requirements*

#### *Introduction*

Activities planned utilizing CDBG funds expected to be available during the year are identified within the Method of Distribution. The following information identifies program income that may be available for use that would be included in additional projects that would be carried out.

#### *Community Development Block Grant Program (CDBG) (24 CFR 91.320(k)(1))*

The total amount of program income that will have been received before the start of the next program year and that has not yet been reprogrammed: \$100,000

The amount of proceeds from section 108 loan guarantees that will be used during the year to address the priority needs and specific objectives identified in the grantee's strategic plan: \$0

The amount of surplus funds from urban renewal settlements: \$0

The amount of any grant funds returned to the line of credit for which the planned use has not been included in a prior statement or plan: \$0

The amount of income from float-funded activities: \$0

Total Program Income: \$100,000

#### *Other CDBG Requirements*

The amount of urgent need activities: \$0

The estimated percentage of CDBG funds that will be used for activities that benefit persons of low and moderate income: Minimum 70%

Overall Benefit - A consecutive period of one, two or three years may be used to determine that a minimum overall benefit of 70% of CDBG funds is used to benefit persons of low and moderate income. Specify the years covered that include this Annual Action Plan: One year

#### *HOME Investment Partnership Program (HOME) (24 CFR 91.320(k)(2))*

A description of other forms of investment being used beyond those identified in Section 92.205 is as follows:

The State of Montana will not use HOME funds beyond those identified in Section 92.205.

**A description of the guidelines that will be used for resale or recapture of HOME funds when used for homebuyer activities as required in 92.254, is as follows:**

A complete copy of the State's HOME Program resale and recapture provisions are contained in Appendix N.

**A description of the guidelines for resale or recapture that ensures the affordability of units acquired with HOME funds (See 24 CFR 92.254(a)(4)) are as follows:**

A complete copy of the State's HOME Program resale and recapture provisions are contained in Appendix N.

**Plans for using HOME funds to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds along with a description of the refinancing guidelines required that will be used under 24 CFR 92.206(b), are as follows.**

Not applicable.

### ***Emergency Solutions Grant (ESG) (CFR 91.320(k)(3))***

**Include written standards for providing ESG assistance (may include as attachment):** The ESG Program Policy Manual is available on the MDPHHS website at <http://dphhs.mt.gov/Portals/85/hcsd/documents/ESGPolicyManual.pdf>.

**If the Continuum of Care has established centralized or coordinated assessment system that meets HUD requirements, describe that centralized or coordinated assessment system:** Local community needs assessments and strategic planning are conducted by the HRDCs to ensure the best alignment of resources available with the needs of persons of low income within the services area and the agencies' ability to provide specific services and the expected outcomes. The HRDCs are members of the MTCoc and align with it their strategies for coordination of statewide assistance goals. Partnerships with other organizations are considered essential to eliminate duplication of services to best meet the needs within the communities.

**Identify the process for making sub-awards and describe how the ESG allocation available to private nonprofit organizations (including community and faith-based organizations):** ESG funds are allocated to the 10 regional HRDCs in Montana. Funds are distributed based on a formula allocation, reflecting areas of poverty and general population, as set forth in Section 53-10-502, Mont. Code Annotated, pertaining to the federal 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.

**If the jurisdiction is unable to meet the homeless participation requirement in 24 CFR 576.405(a), the jurisdiction must specify its plan for reaching out to and consulting with homeless or formerly homeless individuals in considering policies and funding decisions regarding facilities and services funded under ESG:** Not applicable.

**Describe performance standards for evaluating ESG.** Reporting of services and outcomes are submitted annually to the National Association of State Community Service Providers (NASCS) and reported to Congress as part of the Community Service Block Grant (CSBG) Program. DPHHS provides on-site monitoring of the ESG Program via regularly scheduled monitoring visits by program staff, using a monitoring tool and reviewing a selection of case

files. Staff reviews the matching requirements, budget, and performance (both financial and operational) against contracted activities in the approved ESG work plans, and reviews fiscal accountability and timeliness of report submission. This monitoring is part of a comprehensive annual review of all programs funded by the Intergovernmental Human Services Bureau.

## Appendix AP-A: Resale and Recapture Provisions

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**A description of the guidelines that will be used for resale or recapture of HOME funds when used for homebuyer activities as required in 92.254, is as follows:**

The HOME program provides financial assistance for income eligible households to acquire housing through homeownership activities. Homeownership funding will be provided to local governments working with non-profit organizations to provide loans to income eligible households that are secured by for the duration of the period of affordability. Interested entities intending on using HOME funds for financial assistance activities must adhere to laws which prohibit discrimination in housing and special outreach efforts should be implemented to attract minorities and other protected classes in the homebuyer pool. Additional information and guidance can be found in the HOME grant administration manual available on the Commerce website.

In order to apply resale and recapture provisions appropriately, the HOME program requires grantees to structure their homebuyer assistance programs based on local market conditions, geographical constraints, and their target market. Therefore, applicants must submit reasonable justification for carrying out homebuyer activities based on local market conditions, geographical constraints, target market and other factors in the housing market where funds will be targeted. Additionally, applicants must select either the resale provision or the recapture provision for the target area and submit a Resale/Recapture Plan and Procedures as to how the selected provision will be implemented through procedures that must include informing beneficiaries, documenting compliance, and tracking through the period of affordability. Successful applicants will adopt and implement these provisions as a method of securing the investment of HOME funds for all homebuyer assistance activities.

Successful applicants must include the following, at a minimum, in the development and implementation of the Resale/Recapture Plan and Procedures, but can elect to be more restrictive if justification is provided that market conditions warrant such restrictions.

1. Every homebuyer (original or subsequent homebuyer) must be determined income eligible according to the HUD income limits at the time of sale (income limits are available online);
2. HUD approved homebuyer counseling courses have been completed prior to any HOME-assisted acquisition from occurring;
3. Property that is assisted with HOME funds to be purchased may be newly constructed or existing “for sale” property, regardless, all property assisted with HOME funds must meet the UPCS established by HUD prior to HOME funding the acquisition of the unit;
4. Property that was previously assisted with HOME funds and is intended to be resold must meet the UPCS standards established by HUD prior to the unit being sold to subsequent homebuyers through the resale process;
5. The initial buyer must reside in the home as his/her principal residence for the duration of the period of

affordability, as agreed to in the HOME Occupancy Agreement. Residency status must be reviewed annually to verify compliance with the principal residency requirement;

6. Resale or recapture provisions must be secured by a legal mechanism, such as a deed restriction, land covenant, or other similar legal instrument, throughout the period of affordability;
7. A resale or recapture provision is triggered by any voluntary or involuntary transfer of title during the period of affordability, or if recipients of HOME subsidies fail to maintain the HOME-assisted unit as their primary residence;
8. The purchase price or sales price must be determined at fair market value, typically through an appraisal, and made affordable taking into account market conditions. "Affordable" is defined as a maximum percentage of the purchaser's income that can be used to pay the fixed costs of owning a home (i.e., loan payments of principal and interest, taxes, and insurance, typically referred to as PITI). The HOME Program has defined this percentage as a minimum of 27% of the borrower's gross household income, up to a maximum of 34% of the borrower's gross household income;
9. All HUD regulatory requirements must be followed according to the HOME administration manual; and
10. The minimum period of affordability must be based on the amount of HOME funds invested in the unit, as follows:

<b>Amount of HOME Funds; Per-unit (Resale) Direct Subsidy to Buyer (Recapture)</b>	<b>Minimum Period of Affordability</b>
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

Restrictions that terminate upon occurrence of any of the following termination events: foreclosure, transfer in lieu of foreclosure or assignment of an FHA insured mortgage to HUD will be handled on a case-by-case basis to ensure that if possible resale and recapture provisions are carried out. Purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure to preserve affordability may be implemented by the grantee to protect the original investment of HOME funding.

Noncompliance with the terms and conditions of the HOME loan, including but not limited to the conditions listed above, will trigger the resale or recapture provision and the HOME grantee must repay the total amount of HOME funds invested in the housing. This amount is based on the total amount of HOME funds invested, including both development funds and direct subsidy to the buyer minus any principal HOME loan repayments. Note, the repayment amount is not subject to any reductions that might be otherwise applicable under a recapture provision (such as forgiveness for term of occupancy or repayment to owner first) including any development and homebuyer subsidies on the homeowner's behalf.

A. Resale

The resale provision allows the original HOME-assisted beneficiary to sell the HOME-assisted unit to an income eligible homebuyer. The resale provision does not require repayment of the HOME funds used to assist the

original homebuyer, but rather preserves the affordability of the unit through the sale of the property to a subsequent income eligible homebuyer. All HOME resale restrictions (as stated above and as established in the original deed restriction) must apply to the original and any subsequent homebuyer throughout the period of affordability.

Sales and/or transfers of title of HOME-assisted units subject to resale requirements that occur during the period of affordability must meet the ten criteria listed above and as follows:

1. Upon sale, during the period of affordability, the subsequent homebuyer must be determined income eligible according to the HUD income limits at the time of sale;
2. During the period of affordability, all subsequent homebuyers will start a new period of affordability if an infusion of new HOME funds is required to make the unit affordable; and
3. If resale occurs during the period of affordability, the price at resale must provide the original HOME-assisted homebuyer a “fair return” on his/her investment is defined by the grantee based on the market conditions and must be included in the Resale/Recapture Plan and Procedures and implemented throughout the duration of the program. A standard that ties the return to the original homebuyer to the price that a specific homebuyer or a defined group of homebuyers are able to pay does not constitute fair return and is not acceptable.

#### B. Recapture

The recapture provision allows the original HOME-assisted beneficiary to sell the HOME-assisted unit to any willing buyer, regardless of income, and repay the HOME investment back to the original HOME grantee. The grantee may continue to use recaptured funds for other HOME-eligible activities within their jurisdiction.

Recapture provisions may permit a subsequent income eligible homebuyer to assume the original HOME assistance (subject to the HOME requirements for the remainder of the period of affordability) if the subsequent homebuyer is low-income and no additional HOME assistance is provided (this does not trigger the resale provision).

Grantees must structure their recapture provision and specific terms and conditions based on the total amount of HOME subsidy that enabled the beneficiary to purchase the unit, local market conditions, and the target market; however, under no circumstances may the amount recaptured exceed available net proceeds upon sale. Net proceeds are the sales price minus the superior loan repayment (other than HOME funds) and any closing costs.

Grantees’ recapture provisions may include the following mechanisms, or a combination thereof:

1. Recapture the entire amount of the HOME investment;
2. Recapture a portion of the HOME investment only if the grantee’s Resale/Recapture Plan and Procedures include prorated forgiveness throughout period of affordability. This means that the amount of funds recaptured is based on a predetermined pro-rata portion of the original HOME subsidy based on the length of time the HOME beneficiary occupied the assisted unit; and
3. Shared net proceeds from the sale if market conditions justify insufficient sales price to recapture the full amount of the HOME investment and only if the grantee’s Resale/Recapture Plan and Procedures include this provision. The HOME grant administration manual has additional information to implement this recapture provision.