ARPA GAP FINANCING

- Contracts for all eleven (11) ARPA Gap Financing awards executed with January 1, 2022 effective date.

- To implement the Coronavirus State Fiscal Recovery Fund established under ARPA, the U.S. Department of the Treasury issued its Interim Final Rule on May 17, 2021. Based on the Interim Final Rule, the state of Montana, and many others in the affordable housing community, concluded that ARPA funds could be granted to non-profit entities for purposes of loaning the funds to affordable housing projects, and when granted or loaned, the funds would be considered “spent” for purposes of the December 31, 2026 expenditure deadline.

- On January 14, 2022, Treasury released its Final Rule effective April 1, 2022. The Final Rule requires recipients of ARPA funds to return any funds that are not obligated for eligible uses under the Final Rule by December 31, 2024 or expended for eligible uses by December 31, 2026. The Final Rule specifically enumerates development of affordable housing as an eligible use of ARPA funds. However, in the Final Rule commentary, Treasury clarified that neither the grant of ARPA funds to a non-profit entity to make loans for an eligible use nor the eventual loans themselves will be considered a final expenditure for purposes of the December 31, 2026 expenditure deadline.

- Commerce engaged outside legal counsel in close collaboration with Commerce legal and the budget office, to draft amendments to the ARPA Gap Financing contracts executed to address the issues presented in the Final Rule. These amendments were made available to the 11 project developers in early March and they are reviewing the amendment language with their legal counsels and investors. The primary challenges stem from threading the needle between Internal Revenue Service (IRS) requirements for Housing Credit projects and associated investor interests, within the parameters of the ARPA Final Rule.

- The development team for two projects, Highland Manor in Hill County and Spruce Grove in Yellowstone & Carbon, requested Commerce shift $450,000 from the original $859,517 Highland Manor award to the Spruce Grove project. This shift will enable both projects to move forward and maintains the $2 million maximum award per project.

- HOME and HTF awards were made for seven (7) projects.
<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Construction Type</th>
<th>County</th>
<th>Units</th>
<th>Gap Funding Requested</th>
<th>Gap Financing Revised</th>
<th>Additional HOME Award</th>
<th>Additional HTF Award</th>
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<tbody>
<tr>
<td>Family</td>
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<td>Total</td>
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<td>918</td>
<td>$18,002,483 requested</td>
<td>$15,000,000 awarded</td>
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<td>$1,691,696 awarded</td>
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**EMERGENCY RENTAL ASSISTANCE (ERA)**

- $46.67 million awarded (nearly $300k from ERA2 launched January 14, 2022)
  - Approx. $7,300 average assistance per household

- 13,645 complete applications submitted (2,897 continued assistance)
  - 8,426 approved (2,069 continued assistance) – 62 percent
  - 1,209 under review – 9 percent
  - 2,913 ineligible / duplicates – 21 percent
  - 1,092 potentially fraudulent rejected – 8 percent
  - 5 potentially fraudulent under review - <1 percent

- National Equity Atlas has a rent debt in America map that includes county and state level data, based on December 29 – January 10 Census Household Pulse Survey. [Rent Debt Dashboard | National Equity Atlas](https://nationalequityatlas.org). This survey estimates 11,000 households in Montana are behind on rent with total rent debt of $24.2 million – all data being estimates. Montana’s estimated rent debt is one of the lowest in the country, with only Idaho, South Dakota, North Dakota, Wyoming and Vermont having lower estimated rent debt.

- A new marketing campaign to include radio and social media, highlighting the expanded program eligibility under ERA2, will be deployed in the coming weeks.
• Utility assistance increased from maximum $300 per month total to up to $500 per month per eligible utility. This increase was needed due to rising home energy costs and in particular to support eligible households who need assistance with both electricity and propane.

• Eviction Prevention & Diversion Program contract with Montana Legal Services Association executed February 1, 2022.

• Department of Public Health and Human Services has executed contracts with Human Resource Development Councils to provide Housing Stability Services.

HOME-ARP

Commerce staff have participated in numerous HOME-ARP trainings hosted by the U.S. Department of Housing and Urban Development (HUD). HUD continues to release new HOME-ARP guidance, including specific organizations and stakeholders that we must consult, and requirements for gathering data on housing and service needs and gaps throughout the state. HUD representatives suggested that states should move with haste but not too hastily with regards to the HOME-ARP program. The HOME-ARP expenditure deadline runs through 2030.

Given the updated consultation and data requirements and recommendations from HUD, Commerce is proposing an extension to the HOME-ARP timeline. This extension will ensure recommendations on use of funds presented to the Commission are data-driven and reflective of a wide range of stakeholder input.

Timeline / Proposed Timeline from October 27, 2021 presentation:

September 20     HUD obligated state of Montana HOME-ARP funds and provided grant agreement for execution

September 24     Commerce executed HOME-ARP grant agreement and submitted to HUD. Up to 5 percent of total award ($572,988) will be available for administrative and planning costs

October 27       Present program overview to Advisory Commission

November 1       Initiate 90-day consultation period with Continuum of Care, organization and agencies providing services to qualified populations, ARPA internal work group, and elected officials

February 2022    Based on consultation feedback, Montana Housing develops recommendations on use of funds in coordination with ARPA internal work group and Executive branch

March 2022       Present summary of consultation results and recommendation on use of funds to Advisory Commission. Initiate 30-day public comment period

April 2022       Develop HUD-required Allocation Plan and release for minimum HUD-required 15-day comment period

May 2022         Submit final Allocation Plan to HUD for approval
Proposed Timeline – Revised:

May 2022  Based on consultation feedback, Montana Housing develops recommendations on use of funds in coordination with ARPA internal work group and Executive branch

June 2022  Present summary of consultation results and recommendation on use of funds to Advisory Commission. Initiate 30-day public comment period

July 2022  Develop HUD-required Allocation Plan and release for minimum HUD-required 15-day comment period

August 2022  Submit final Allocation Plan to HUD for approval

HOMEOWNER ASSISTANCE FUND (HAF)

• Pilot Program for Montana Board of Housing borrowers:
  o 174 HAF Pilot Program applications mailed to Montana Board of Housing borrowers on January 3, 2022.
  o As of March 8, 2022, 27 complete applications received from borrowers. Over $264k obligated for HAF Pilot Program reinstatement loans with nearly $264k paid.

• Interim Report:
  o HAF Interim Report submitted to the U.S. Department of the Treasury for period between Award Date through January 31, 2022 on March 1, 2022 (due March 3, 2022).

• HAF Statewide Program development:
  o Business requirements gathering and workflow nearly complete
  o Development to begin March 14, 2022 with first demo scheduled March 23, 2022
  o Commerce staff will conduct user acceptance testing Thursday – Friday each week
  o Working toward target go-live mid-May 2022.

This is a final copy of the memo.