

Chapter 9 – Housing Stabilization Program

Overview

Eligible applicants for CDBG assistance include Montana cities, towns, and counties except for the cities of Billings, Bozeman, Great Falls, and Missoula, which are entitlement communities and are not eligible for state CDBG funds, as they receive CDBG allocations directly from HUD. Tribal governments are not eligible applicants for state CDBG funds but are eligible for Indian CDBG funds directly from HUD. However, local governments may apply for and use CDBG funds for project activities predominantly benefiting residents of a tribal reservation.

Eligible Projects

HUD requires CDBG projects to meet one of the three national objectives – benefit persons of LMI, urgent need, or the elimination of slums and blight. The benefit to LMI is defined as benefiting households with incomes at or below 80% of area median income. As indicated in the current Consolidated Plan, Montana's state objectives seek to provide these benefits by improving the safety and livability of neighborhoods and improving access to quality facilities, infrastructure, and services. Accordingly, Montana's CDBG funding is prioritized to projects that best meet these national and state objectives. Please visit the [Commerce website](#) for the current Consolidated Plan and Montana's state objectives.

The CDBG-HSP funds are awarded for site-specific activities according to needs identified and the availability of funds on a first-come and first-served basis. Recommendations for the award are based, in part, upon an analysis of the proposed project's impact addressing health and safety needs and accessibility improvements and the coordinated partnerships that will support site-specific activities. The maximum per activity award will be determined based on a Project Request Form that is accompanied by a budget, implementation schedule, and inspection report for each activity.

If approved, Commerce will send an award letter to the applicant reiterating the applicant's proposed activities according to the project strategy listed in their application. Individual activities will be aimed at housing rehabilitation, reconstruction, acquisition or demolition activities to assist LMI households.

Eligible Activities

1. Rehabilitation: Assist existing homeowners with repair, rehabilitation, or reconstruction of owner-occupied units.
2. Reconstruction: Demolish and re-build a housing unit on the same lot in substantially the same manner.
 - a. The number of housing units on the lot may not be increased as part of a reconstruction, however, the number of rooms in a unit may be increased or decreased.
 - b. In very limited cases, the number of housing units on the lot may be decreased to reduce density.
 - c. Reconstruction also includes replacing an existing substandard manufactured housing unit with a new or standard manufactured housing unit.
3. Acquisition: Activities that support the development of housing for LMI persons such as acquisition, clearance, and site improvements (when the land is in public ownership) are eligible for CDBG-HSP assistance.
4. Clearance and remediation: Clearance, demolition, and removal of buildings and improvements, including movement of structures to other sites and remediation of known or suspected environmental contamination. Demolition of HUD-assisted or HUD-owned housing units may be undertaken only with the prior approval of HUD. Remediation may include project-specific environmental assessment costs not otherwise eligible under 24 CFR § 570.205.
5. New Construction: Generally, new construction of housing is not eligible under the CDBG-HSP program. However, the regulations allow for certain eligible entities to carry out this activity on behalf of the grantee (§ 570.204(c)).
 - a. This entity is known as Community Based Development Organization.

- b. The eligible groups include neighborhood-based organizations, section 301(d) Small Business Investment Companies, local development corporations (LDCs), and some Community Housing Development Organizations.
- c. These development organizations must meet the definition outlined in Section 105(a)(15) of the Housing and Community Development Act and §570.204 of the regulations to be considered eligible to undertake such activities.
- d. These organizations must be undertaking a neighborhood revitalization, community economic development, or energy conservation project in order to use CDBG for new construction. Note that new housing construction carried out by an eligible CBDO must be part of a larger effort to revitalize the neighborhood (for example, a plan for the community's revitalization efforts based on a comprehensive plan, not just for the sake of the CDBG-HSP project).

Grantees may also provide support for the development of new housing as an eligible activity. "Support" refers to:

- Acquisition by the grantee or public or private nonprofit entities
- Site clearance and assemblage
- Site improvements (if under public ownership)

Grant Parameters

Continued Affordability

All CDBG-HSP assisted properties must have recorded deed restrictions in place outlining affordability requirements. The deed restriction should be for at least five years, state the recapture provisions, and ensure the home is the beneficiary's principle residence. The grantee may choose to implement more stringent affordability requirements to ensure that the properties remain affordable for as long as possible.

Eligible Costs

Project activities eligible for reimbursement with CDBG funding include, but are not limited to:

- Expenses that directly relate to rehabilitation activities that implement the scope of work identified in the CDBG-HSP project request form, including materials, labor, and fixtures

- Professional services that directly relate to design activities that implement the scope of work identified in the CDBG-HSP grant contract
- Repayment of interim financing directly related to project activities that implement the scope of work identified in the CDBG-HSP grant contract
- Legal costs and fees; and grantee's direct grant administration expenses, up to a maximum 10% of the total CDBG-HSP budget for the individual project activity
- The project scope of work must address health and safety issues, improve accessibility and address the structural integrity of the home

Ineligible Costs

Expenses that are NOT eligible for CDBG funding include, but are not limited to:

- Temporary furnishings, fixtures, or equipment
- Items outside the Commerce-approved scope of work
- Any unauthorized costs incurred prior to the date identified in the Notice of Award letter

Applicants that plan to commence a project before it has been awarded CDBG-HSP grant funding should discuss their plans with Commerce to ensure they do not take any choice limiting actions that could violate the various federal, state, and programmatic laws and requirements that apply to projects involving CDBG-HSP funds. Some project activities, such as land acquisition, are subject to CDBG regulations if performed after the public is aware the local government intends to apply for CDBG-HSP funding and prior to receiving an award of CDBG-HSP funds.

In general, program requirements around the environmental review process are triggered when the public is first made aware of an entity's intent to use federal funds administered by Commerce's Housing Division (Housing) or at the time the entity conducts the second CDBG public hearing to consider application for federal funds, whichever occurs first. For questions about triggering a choice limiting action, please contact Community Housing at housing@mt.gov before applying.

CDBG Requirements for HSP

Start-Up

Each grantee may incur reimbursable administrative costs as of the authorized date in its Notice of Award letter. Administrative costs will be eligible for reimbursement once the grantee meets all start-up conditions, documents compliances with state and federal requirements, executes a contract with Commerce, completes the Environmental Review, and receives authority to use grant funds. If a grantee fails to meet these prerequisites, the administrative costs are the sole responsibility of the grantee. All CDBG-HSP projects must also meet Special Contract Conditions and demonstrate compliance with state and federal regulations to be eligible to incur acquisition or construction-related costs and complete project activities.

Start-up Requirements for CDBG-HSP:

- Updated management plan
- Completed Signature Certification and EFT forms
- Executed contract with Commerce.

After the contract has been executed, the following special project conditions must be met:

- Execution of Subrecipient agreement (if applicable)
- Program Income Plan (if applicable)
- Civil Rights documentation
- Completion and approval of the Broad-Level Environmental Review Record.

CDBG-HSP grantees should consult Chapter 1 and the “Getting Started” toolkit for start-up items.

Tiered Environmental Review

At the time of application to Commerce, an environmental review process is initiated via the environmental checklist included in the Uniform Application. Completion of the environmental checklist is intended to ensure CDBG applicants adequately consider and, if possible, avoid potential impacts while the project is being planned. After award, grantees continue with a tiered environmental review.

When used appropriately, tiered environmental review is a means of making the environmental review process more efficient by allowing parties to eliminate repetitive discussions of the same issues and to focus on the actual issues ripe for decision at each level of environmental review. A tiered review consists of two stages: a broad-level review and subsequent site-specific review. The broad-level review should identify and evaluate the issues that can be fully addressed and resolved in a specific geographical area, notwithstanding possible limited knowledge of the project. In addition, it must establish the standards, constraints, and processes to be followed in the site-specific reviews. The broad-level review is conducted after the grant is awarded during the start-up phase. As individual sites are selected for review, the site-specific reviews evaluate the remaining issues based on the policies established in the broad-level review. Together, the broad-level review and all site-specific reviews will collectively comprise a complete environmental review addressing all required elements. Funds cannot be spent or committed on a specific site or activity until both the broad-level review and the site-specific review have been completed for the site.

For more information, see HUD's [website for the Broad-Level Environmental Review](#).

See below for in “Conduct Site-Specific Environmental Review” for more information.

Lifecycle of a CDBG-HSP Project

Once a grantee has completed the Start Up requirements and successfully executed a contract with Commerce, the following workflow for a CDBG-HSP project should be followed:

1. Identify a project
2. Determine income eligibility
3. For rental properties review Uniform Relocation requirements
4. Inspect the project site
5. Conduct site-specific environmental review
6. Procure contractor(s)
7. Establish a project budget
8. Establish a project implementation plan;

9. Start construction
10. Submit regular progress reports
11. Request reimbursement for expenses
12. Process final request for reimbursement
13. File deed restriction to be recorded
14. Closeout the project

Identify a Project

The application submitted by the grantee will outline the outreach efforts to generate interest in the program. Housing program specialist will review the application homeowners will complete to be considered for the program. A waiting list may be developed depending on homeowner demand. Consult with a housing program specialist with questions.

Determine Income Eligibility

The homeowner must be determined to be income eligible following the guidelines published by HUD. All projects shall use the HUD Part 5 definition of income for determining income eligibility. Household income must be 80% AMI or below. Third party verification is only acceptable when other source documentation is not available. The beneficiary must reside in the home as their principal residence for the duration of the period of affordability. HUD releases income limits by county annually for CDBG. HUD's published limits are available [online](#).

Grantee project files must contain documentation that certification of the resident's income occurred prior to rehab work beginning and proof of ownership such as the tax record for the homeowner. These files must be kept throughout the period of affordability and at least three years after the expiration of the period of affordability.

Review Uniform Relocation Requirements

In the case of rehabilitation of single-family owner-occupied housing, URA does not apply as participation in the program is voluntary. If the project identified is a duplex, tri-plex, or four-plex that has renter occupants in a unit, the grantee must address any possible requirements with a project specialist. The renter may have rights subject to the URA.

Inspect the Project Site to Develop a Scope of Work

Following the inspection process that the grantee outlined in the application, the site should be inspected to have a clear scope of work. The scope of work should be limited to address health and safety issues, improve accessibility, and ensure the structural integrity of the home. The project specialist will approve the scope of work to be performed to ensure it is eligible according to the grant parameters.

Conduct Site-Specific Environmental Review

Once the site of an individual project is identified, complete the site-specific review. Evaluate the remaining issues based on the policies established in the broad-level review for the activity. The review should not repeat the completed analysis and decisions, but it should concentrate on the issues that were not resolved in the broad-level review, such as the home's location relative to flood plains, above ground storage tanks, or potential contaminants. Using the protocols established at the broad level, the site-specific review must determine and document the project's adherence to all established protocols and remaining requirements as defined in the broad-level review. Compile documentation demonstrating the remaining issues do not trigger further review. Consult with the program specialist on how to [document compliance](#).

CDBG-HSP grantees should consult Chapter 2 and work with their project specialist on the Tiered Environmental Review process.

Procure Contractor

The contractor selection criteria will be dictated by the procurement process as determined at start-up.

Commerce relies on competitive bidding to encourage cost reasonableness. Due to the relatively small size of the projects typically undertaken with CDBG-HSP grants, the small purchase procedure is often applicable. Consult with your project specialist, Chapter 3, and the "Procurement" toolkit to ensure the procurement is appropriate.

Small purchase procedures can be used for services, supplies, or property when the contract will not cost more than \$100,000 in the aggregate and is relatively simple and informal.

Under the small purchase method, grantees send a request for quotes to potential vendors with a detailed description of the goods or services needed. In return, they receive competitive written quotations from an adequate number of qualified sources. Each quote should include pricing information that allows the grantee to compare costs across bidders and ensure cost reasonableness.

Documentation of the quotes shall be maintained in the grantee's files. The award should be made to the lowest responsive and responsible source.

This method cannot be used if the contract exceeds \$100,000 in value. If the contract exceeds \$100,000, the grantee must issue a RFP under the competitive proposals approach.

Outreach to Disadvantaged, Minority, and Women owned businesses is required, while outreach to Section 3 employers and workers will be waived for contracts under \$200,000. CDBG-HSP grantees should refer to Chapter 3 for procuring professional services, and Chapter 6 and the "Procurement" toolkit for procuring construction services.

Establish a Project Budget

Based on the scope of work developed from the inspection, devise the budget for the project based on contractor bids. If at any time during the project the scope of work necessitates changes, the project specialist must be contacted. All changes to the scope of work must be approved in advance by the project specialist.

Establish a Project Implementation Schedule

Develop the Project Implementation Plan for the work to be performed. The plan should identify all key tasks and when each must be accomplished to complete the overall project. The CDBG-HSP project activities must be completed as identified in the grantee's implementation schedule. Commerce, in its sole discretion, may extend the project completion deadline if the project is near completion and the grantee can demonstrate a good faith effort to complete the project on time and within budget.

Start Construction

Once procurement has been completed and documented, construction can begin. Review Chapter 6 and the “Labor and Construction” toolkit for guidance on the construction process and associated requirements. Note that Labor standards and DBA wage rates do not apply to single-family rehabilitation contracts.

Submit Regular Progress Reports

The grant recipient should establish and maintain procedures to monitor contractor performance to ensure adherence to the scope of services, timetable, and any other terms and conditions specified in the contract. Ongoing review of the contractor’s performance and progress will prevent problems that may affect the quality, timely completion, or cost of the contract for the project. The grantee must submit a project progress report with each draw, or every 90 days whichever should come first.

Request Reimbursement for Expenses

There are Activity Costs and Administrative Costs associated with each CDBG-HSP project. Any costs and time charged must be documented appropriately with invoices, receipts, time, and attendance records, etc. The documentation must be kept on file and submitted with Request for Funds.

For work performed by the grantee, employees, timesheets, or other summary payroll records that detail employee name and title, time period, activities performed, and total amount are acceptable. Itemized invoices for the contractor, any subcontractors, consultants, and vendors or suppliers typically constitute adequate and sufficient documentation provided they include:

- A description of work performed
- The number of hours worked to accomplish each item
- The amount billed for each item
- Work performed date(s) and work items completed
- Beginning and ending billing period dates
- A description of any other eligible expenses incurred during the billing period

- The total amount billed.

Requests for reimbursement must be accompanied by:

- CDBG Request for Funds Form
- Project Progress Report
- Invoices and billing details as outlined above
- Contract and Employment Reporting Form (see “Section 3/DBE/MBE/WBE” toolkit), if applicable.

If budget modifications are found to be necessary while preparing a request for reimbursement, Commerce should be notified of the modification prior to the request being submitted.

CDBG-HSP grantees should refer to Chapter 5. Please note, CDBG-HSP grantees are not required to submit the Uniform State of Funds Spreadsheet.

Process Final Request for Reimbursement

For final requests for reimbursement upon project completion, in addition to the requirements set forth elsewhere in this section, Commerce requires the following before issuing the final disbursement of funds:

- A certificate of occupancy, if applicable
- Evidence satisfactory to Commerce that the project has been completed lien free and substantially in accordance with plans and specifications
- Such other supporting evidence as may be requested by Commerce or its agent to substantiate all payments which are to be made out of the final disbursement and/or to substantiate all payments then made with respect to the project

File Deed Restriction to be Recorded

The grantee must submit documentation of the recorded deed restriction before Commerce will disburse the final funds.

Closeout the Project

With regard to the closeout of the grant, CDBG-HSP grantees should consult Chapter 7 and the “Monitoring and Closeout” toolkit.

Refer to the checklist to ensure all necessary documents have been completed. All work completed should be documented by photos and these should be sent to the project specialist.

Grantees should refer to Chapter 7 and the “Monitoring and Closeout” toolkit. Each individual site will need to follow the directions in the chapter.