



Community Development Division

Community Development Block Grant 2015-2016 Application for Housing and Neighborhood Renewal

Applications Due No Later Than April 20, 2015

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Alternative accessible formats of this document will be provided upon request. If you need this document in an alternative format, such as large print, Braille, audio tape, or computer diskette, please contact the Montana Department of Commerce Community Development Division at (406) 841-2770, TDD (406) 841-2702, or the Relay Services number, 711.

**PROJECT GRANT APPLICATION FOR
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG)**

I. Introduction

The Community Development Block Grant Program (CDBG) is a federally-funded grant program designed to help communities with their greatest community development needs. The program was established by the Federal Housing and Community Development Act of 1974 (42 USC 5301) and is administered nationally by the [U.S. Department of Housing and Urban Development](#) (HUD).

The program's National Objective is to help develop viable communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income (LMI). The program also helps local governments with constructing or upgrading drinking water systems, wastewater treatment facilities, community facilities (such as nursing homes or Head Start centers). CDBG Grant Program applications, grant application guidelines, the project grant administration manual, and other relevant information and resources are available on the Department of Commerce [website](#). Interested persons can also e-mail CDBG Program staff at DOCCDBG@mt.gov or call staff at (406) 841-2770 or Montana Relay Service at (406) 841-2702 or 711 regarding any questions they may have about the CDBG Program.

These application guidelines explain how eligible applicants can apply for CDBG financial assistance. The application form for competitive housing and neighborhood renewal projects and the outline of the preliminary architectural report are contained within this guide. The environmental requirements and Montana's Uniform Application for Housing Loan, Grant, and Tax Credit Programs are found in a separate publication, which is available from Commerce upon request. These publications are also available through available on the Department of Commerce [website](#).

Please note that the non-competitive housing application guidelines will be contained in a separate application process. The non-competitive housing application allows eligible applicants to request CDBG funds and provide funding eligible applicants to assist individual income eligible households to complete individual essential health and safety rehabilitation activities or homeownership activities. The non-competitive application does not 'count' against any competitive housing and neighborhood renewal application or open project. Please visit the CDBG website for additional information about this CDBG non-competitive housing program.

The Department of Commerce does not discriminate on the basis of disability in admission to, access to, or operations of its program, services, or activities. Individuals, who need aids or services for effective communications or other disability-related accommodations in the programs and services offered, are invited to make their needs and preferences known. Please provide as much advance notice as possible for requests.

II. Eligible Applicants

All applicants must have the management capacity to undertake and satisfactorily complete the project applied for, and assure proper management of CDBG funds. Grant recipients must be in compliance with all applicable auditing and financial reporting requirements, and have the capability to specifically assure proper tracking and recording of funds. Each local each eligible local government jurisdiction may apply for and be awarded a maximum of three grants: one from the Planning grant category, one from the Public Facilities grant category, and one from the Housing and Neighborhood Renewal grant category for each federal fiscal year's CDBG program. Communities that receive housing or public facilities funding are ineligible to receive additional funds within the category assisted until the project is substantially completed. For the purposes of this requirement, consolidated city-county governments will be considered as two separate jurisdictions: the former city jurisdiction and the former unincorporated jurisdiction of the county.

A previous recipient of a fully-funded CDBG award under the Housing and Neighborhood Renewal category is not

eligible to reapply until the following conditions have been met for any current grant within the relevant category:

- Compliance with the project implementation schedule contained in the Commerce contract for any current grant awarded;
- No unresolved audit or monitoring findings related to any previous CDBG grant award; and
- the following spend-down and closeout requirements apply for the FFY 2014 competition:

FY 2013 grantees	CDBG non-administrative funds 75% drawn or activities completed by the date of application.
FY 2012 grantees	CDBG non-administrative funds 90% drawn or activities completed by the date of application.
FY 2011 grantees	CDBG non-administrative funds 100% expended and Project Completion Report submitted prior to the date of application.
FY 2010 grantees and all earlier years	Project closed out by the date of application and audit scheduled by the date of application.

Eligible applicants for CDBG assistance include any:

1. *Incorporated city or town with populations under 50,000*

For projects proposed to resolve problems within the jurisdiction of an incorporated city or town, the city or town governing body is the eligible applicant. A municipality may apply for a project which would include an activity to be located outside city limits if the proposed activity will principally benefit residents within the city's jurisdiction, such as a water or wastewater facility. A municipality may also apply for a project in a geographic area that is located outside the city's jurisdiction, if it can provide adequate assurances that the project area will be proposed for annexation within the term of the CDBG project or within a reasonable period of time after completion of the CDBG project.

2. *County*

For projects proposed to resolve problems in the unincorporated jurisdiction of a county, the county governing body is the eligible applicant. A county may apply for a project that will include activities within the jurisdiction of an incorporated city or town if the proposed activity is intended to benefit all county residents, including those located in the unincorporated jurisdiction of the county, as well as those within the city or town.

To improve cost-effectiveness for project administration, a county may apply for a grant for a project that would address the same category of community need in two or more separate unincorporated communities, as long as the total grant request is under the established ceiling. Before considering such a project, the applicant county must ascertain that the involved communities have a similarly high level of need, that the proposed response is similarly appropriate, and would achieve comparable impact on each community. If not, the application, as a whole, may be less competitive.

3. *Consolidated government*

Note: Communities with 50,000+ population and Indian Tribes are not eligible to apply for CDBG funding, as they receive a separate HUD allocation under the federal CDBG program.

- A. Coordinated applications, where two or more eligible applicants may apply independently for projects that, if funded, would be administered in a coordinated manner. An example would be a regional water system that involves more than one jurisdiction. In this case, each applicant would be able to apply for the maximum grant allowed: \$450,000.

- B. Non-profit organizations must have an Internal Revenue Service 501(c)(3) or 501(c)(4) non-profit designation to be an eligible subrecipient of CDBG funds. Private, for-profit organizations may receive CDBG funds under special conditions. In these cases, a county or municipality must apply for CDBG funds on behalf of these kinds of organizations. If the application is funded, an interlocal agreement must also be executed between the local government and the special purpose agency or organization clarifying project responsibilities. Please review Appendix F for additional special requirements.
- C. State CDBG funds can be used to fund an activity that is located within the boundaries of an entitlement community or those communities with a population over 50,000 (Billings, Great Falls and Missoula), to primarily benefit residents of the extended community beyond the bounds of the entitlement. If a county applies for CDBG funds, the entitlement community will be expected to provide a reasonable share of the project funds. For example, a project activity might be a homeless shelter or senior center that is located within an entitlement community but provides a significant benefit to residents of the extended community beyond the boundaries of the entitlement community. This broadened use of CDBG funds will provide a more regional approach and comprehensive planning between entitlement and non-entitlement communities.

III. Eligible Projects

- A. Types of projects eligible for CDBG assistance include:
1. New Construction of Single Family or Multi-family Housing
 2. Acquisition, construction, or rehabilitation of Rental Units
 3. Community Renewal
 4. Temporary Housing Facilities

1. *New Construction of Single Family or Multi-family Housing*

CDBG funds may be used for construction of new housing, with some limitations:

- CDBG funds may help finance or subsidize construction of new permanent residential units or to provide public facilities or site improvements to assist new housing construction for LMI families, where the CDBG project will be developed and managed by a non-profit or for-profit organization, but the application is sponsored by the local government.
- For-profit organizations are eligible to be subrecipient developers and/or owners of a new construction housing project if the local government grantee: 1) loans the CDBG funds to the for-profit and 2) uses the program income derived from repayment of the loan in accordance with CDBG requirements.
- A for-profit developer/owner may be eligible to receive CDBG grant funding to provide infrastructure for new subdivision that will include a benefit for LMI families -- subject to the state CDBG program receiving a HUD waiver for the project.
- Proposals for new construction to meet needs for multi-family housing or single family residences must include documentation of the inadequacy of the community's available comparable housing stock and its condition. If new construction is being proposed, the Applicant must show that no buildings exist within the communities which are suitable for purchase and cost-effective modification. This documentation must include an analysis by a professional licensed architect of both the physical and financial infeasibility of modifying existing buildings, and the architect's conclusion that the most appropriate and cost-effective alternative is new construction.

- Applicants proposing new housing construction must provide a PAR, as described Appendix D. All newly constructed housing units must meet applicable property standards, including Section 8 Housing Quality Standards (or FHA equivalent standards) and State building codes.

Local governments may undertake some activities to support new housing with CDBG funds, including:

- Acquisition and/or clearance of sites for use or resale for new housing;
- Site improvements to land owned publicly or by a non-profit organization to be used or sold for new housing;
- The cost of disposing of real property, acquired with CDBG funds, which will be used for new housing; and/or
- The cost of converting an existing non-residential structure to residential use.

CDBG funds may be used to finance or subsidize new permanent residential structures only under the following circumstances:

- If grant recipients reconstruct housing on the same site which is owned and occupied by LMI persons where the need for the reconstruction was not determined until after CDBG-assisted rehabilitation began;
- If grant recipients construct housing of "last resort" as described in 24 CFR, part 42, Sub-part I. This housing is limited to housing that is newly constructed for persons displaced by a CDBG project when the project is prevented from proceeding because comparable replacement housing is not available otherwise.

2. *Acquisition, Construction, or Rehabilitation of Rental Units*

In order for rental units to be acquired or constructed or rehabilitated with CDBG funds to be considered as benefiting LMI, the majority of the housing units must be occupied by LMI persons and at affordable rents.

Commerce encourages Applicants to consider the long term feasibility of assisting non-public rental housing using CDBG funds in accordance with the following schedule:

Subsidy Amount/Unit (the amount of CDBG financial assistance provided to a landlord/rental unit owner receiving CDBG assistance for construction or acquisition of rental units)	Minimum LMI Affordability Period
Under \$15,000	5 years
\$15,000 – \$30,000	10 years
Over \$30,000	15 years
New Construction or Acquisition of Newly Constructed Rental Housing (any \$ amount)	20 years

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

If proposing rehabilitation of an existing building, the Applicant must thoroughly document that the proposed improvements are the best and most reasonable long-term solution, as well as the most cost-effective to solve health and safety deficiencies. The applicant should document assessment of

- asbestos,
- lead-based paint,
- lead water service lines,
- historic preservation architectural standards,
- relocation, and
- accessibility issues.

- Applicants proposing rehabilitation of an existing building must complete a Preliminary Architectural Report (PAR).
- When CDBG is used to finance the rehabilitation of a residential property that has at least 8 units, federal Davis-Bacon wage rates apply.
- All rental income above that needed for operations, maintenance, and reserves is considered program income and may be used by local government grantees in accord with a CDBG-approved Program Income Plan.

Rehabilitation Standards

Section 104 (d) of the Housing and Community Development Act of 1974, as amended, provides that dwelling units which meet the definition of “substandard housing unsuitable for rehabilitation”, and which have been vacant for at least six months prior to their conversion or demolition, are exempt from coverage under the plan. For purposes of these guidelines, Commerce will use the following definitions when considering funding.

“Standard housing” is defined as a housing unit which, at the minimum, meets the following standards

1. Housing quality standards (HQS) set forth in the Section 8 Program for Housing Quality Standards (24 CFR 982.401) or updated HUD housing quality standards
2. All zoning ordinances and uniform codes adopted by the state, including national or international codes

“Substandard suitable for rehabilitation” means a housing unit, or in the case of multi-family dwellings, the building(s) containing the housing units, where the estimated cost of making the needed replacements and repairs is less than 75 percent of the estimated cost of new construction of a comparable unit or units.

These definitions are not intended to prevent the preservation of substandard housing not suitable for rehabilitation if the project applicant and/or Commerce determine that the units should be rehabilitated and preserved to achieve other goals established for the project, including, but not limited to, the preservation of buildings with historical or architectural significance.

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

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

Note on Energy Conservation: Communities proposing rehabilitation or new construction of residential housing units should pay particular attention to the most current edition of the International Energy Conservation Code. This code was adopted by the Building Codes Bureau of the Montana Department of Labor and Industry. The code establishes energy

conservation standards for improvements to existing residential structure or construction of new residential housing units, as well as standards for other types of construction.

For all areas permits must be obtained from the MDLI, Building Codes Bureau for electrical and/or plumbing work unless the grant recipient has been certified by the Bureau to enforce the codes cited above. In such cases, some permits will be obtained locally. The Building Codes Bureau maintains a listing of Montana counties and incorporated municipalities, which are certified to enforce building, electrical, mechanical, and plumbing codes. In those cases where the Building Codes Bureau has not certified the grant recipient, permits must be obtained from the Bureau when rehabilitation involves structures with five or more units, or any commercial or public buildings.

Grantees will be responsible for assuring that proper authorities inspect such work and an inspection report is provided to the beneficiary and MDOC once completed. Options to provide code inspection may include agreements with governments that have existing building departments, arrangements with MDLI's Building Codes Bureau, or by contracting with qualified, private sector persons. Where possible, to preserve independence, local governments are encouraged to utilize the services of a separate individual to perform inspection services. All electrical and/or plumbing work must be done only by electricians and/or plumbers licensed by the State of Montana.

For further information, please contact:
Building Codes Bureau/Montana Dept. of Labor & Industry
301 South Park, Room 430 -- P.O. Box 200517
Helena, MT 59620-0517
Phone: (406) 841-2300

3. Community Renewal

Applicants proposing CDBG Housing and Neighborhood Renewal projects may set aside funds from their grant request for eligible CDBG activities that would result in long-term, recognizable, visible impacts and overall community renewal.

A major objective of the CDBG Program is to improve local housing conditions, combat neighborhood deterioration and community blight, and encourage public and private community reinvestment and renewal. The CDBG program encourages local governments to undertake complementary community renewal activities in conjunction with the principal housing activities proposed in a local project. Community renewal activities increase the overall benefit from the principal activities by maintaining and enhancing appearance, safety, neighborhood pride, and property values within the neighborhood where the principal housing activities will occur. Often, reinvestment will occur in the neighborhood selected for housing activities. Community renewal may include:

- community cleanup and fix-up campaigns;
- demolishing hazardous, dilapidated, vacant buildings;
- preparing historic inventories prior to demolition;
- improving or constructing sidewalks, streets, street lighting, or neighborhood parks or playgrounds;
- promoting community renewal activities with loan or grant funds from sources such as Community Transportation Enhancement Program from the Montana Department of Transportation, payments in lieu of taxes, or other available funds; and/or
- promoting community re-development via "Smart Growth" and "in-fill development

4. Temporary Housing Facilities

Beginning with the FFY 2013 funding year, the CDBG program will allow homeless shelters and similar residential or temporary residential facilities, where the primary mission of the facility is to provide for emergency housing and not the provision of services, to be eligible for funding within the competitive Housing and Neighborhood Renewal

category.

Previously, the CDBG application guidelines stated that projects designed to provide temporary, short-term, or transitional housing facilities to be owned or operated by local governments or private, non-profit corporations fell under the CDBG Public Facilities category. Examples of these types of facilities are emergency shelters, transitional housing, homeless shelters, domestic violence shelters, youth shelters and group homes, and shelters for the mentally ill, among others.

Additional Considerations of Eligible Projects

1. If a PAR submitted as part of an earlier CDBG competition has been modified materially for the current submission, it is the responsibility of the CDBG applicant to clearly identify the new or revised information or any other modifications of the PAR. If the PAR has been materially modified or revised, the application will receive a new engineering technical analysis and will be assigned an appropriate score based on the CDBG ranking criteria. Unless the applicant demonstrates that the application has been modified materially since a prior submission, the CDBG program will not provide a new ranking of that applicant's proposed project.
2. If the Applicant is applying on behalf of a sub-recipient, the responses to the ranking criteria questions should describe the corresponding efforts of both the local government and the organization.

The amount of CDBG funds requested per benefited LMI household or individual for the proposed project must be reasonable in relation to those requested by other applicants. In no case should the grant request exceed \$30,000 per LMI household or individual to be assisted.

Application requests for more than a \$30,000 benefit per LMI household or individual must clearly document that, without additional grant assistance, the financial burden on local residents or a private, non-profit organization would be unreasonable or the assisted individuals lack sufficient financial capacity to repay a loan and, without additional grant assistance, would be denied decent, safe and sanitary housing conditions. Undeveloped, vacant lots, at the end of the construction project, may not be counted as benefited households.

The \$30,000 per household limitation would not apply to those circumstances where funds are loaned to families and would later be recaptured at the time of sale and then made available for loans to assist other LMI households.

The "CDBG funds per LMI household" figure is determined by dividing the total amount of CDBG funds requested by the total number of LMI households or individuals, as appropriate, to be served by the proposed public facility.

NOTE: CDBG will not consider applications to complete activities to improve or construct building for the general conduct of government. This includes city halls, county courthouses, county or municipal administrative office buildings or other facilities in which the legislative, judicial or general administrative affairs of government are conducted.

Eligible and Ineligible Reimbursable Project Expenses

Applicants should be cautious if starting a project before the Department has approved it and the grant recipient has a signed contract with Commerce. CDBG grantees are required to adhere to various laws and requirements of the State and the program. Failure to do so could result in CDBG funds not being eligible for reimbursing project activities such

as engineering, construction, etc. Applicants that plan to commence a project before it has been approved for funding should discuss their plans with the CDBG staff to ensure that they have sufficient matching funds as required by the program and do not take any steps that could violate federal or state laws or regulations. Additional information as to eligible project expenses can be found in the CDBG Project Administration Manual available at the Commerce website.

IV. Application Submission

General Requirements

To apply for a CDBG grant, an eligible applicant must complete the required CDBG application information listed in the application and the appendices the due. One hard copy and one electronic copy of the CDBG application information and two hard copies and one electronic copy of the PAR must be postmarked or delivered to the Department of Commerce, 301 South Park Ave, Helena MT, 59620 on or before the due date.

Only one application per project is permitted each application cycle. While coordinated applications are permitted, applications from multiple eligible applicants for the same project in any given application cycle are not allowed. This does not preclude an application for a subsequent phase in the next application cycle.

To apply for any of the funding approved through the competitive ranking process, applicants must provide the following CDBG application information:

Appendix A: Application Criteria Questions

Appendix B: Certification for Application

Appendix C: Resolution Authorizing Application Submission

Appendix D: Special Requirements for Non-profit or For-profit organizations or Public Agencies

Appendix E: Application Information

Appendix F: National and State Objectives

V. Application Review Process

Commerce staff will review CDBG applications for both technical and financial feasibility, and the extent to which the proposed project relates to each of the six ranking criteria. To facilitate Commerce's review, applications should be organized according to the format outlined in Appendix E. Additional information on completing the application form and any technical documents to apply for funding is provided in the appendices.

The review of CDBG applications by the Community Development Division is to ensure conformance to federal and State CDBG requirements. The applications are ranked based upon the extent to which the proposed project relates to each of the six ranking criteria. The form and amount of CDBG funding to be recommended is determined based upon an analysis of the applicant's proposed level of local financial participation, however the maximum grant award will not exceed \$450,000. While the grant ceiling establishes the maximum amount which applicants may request, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant. The ranking team will prepare and submit a report containing the recommended projects and the recommended form and amount of financial assistance for each project to the Director of Commerce. The Director will make the final decision on grant awards and funding. The actual number and types of awards will be subject to funding availability and the minimum ranking score assigned to the applicant during the review.

As further outlined in Montana's Consolidated Plan, the Commerce Director may, at his/her discretion, reallocate unexpended CDBG funds in between normal grant application cycles to expedite necessary projects and the expenditure of CDBG funds consistent with the objectives of the Montana Community Development Block Grant (CDBG) Program.

Commerce may provide for outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review. Commerce may take additional information, based upon Commerce's or other agency's knowledge about a proposed project or particular community problems, into account in the scoring of an application. The applicant may not submit any additional information after the application deadline unless requested by Commerce staff in order to clarify information already presented in the application.

VI. Administrative Procedures and Requirements

Please note, successful applicants must comply with all applicable parts of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. §§ 5301, et seq.; the applicable Department of Housing and Urban Development (HUD) regulations, including but not limited to 24 CFR Part 570 and Form HUD-4010; all administrative directives and procedures established by the Department, including the current version of the grant administration manual on the Commerce website for information on how to administer a CDBG project. Projects must be completed in accordance with the applicable local, state, and federal laws.