



## **Community Development Division**

### **Community Development Block Grant 2015-2016 Application for Noncompetitive Housing Projects**

<http://comdev.mt.gov>

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# **CDBG Non-Competitive Rehabilitation Application Guidelines**

## **Part 1**

### **Introduction and Overview**

#### **A. Introduction**

The Montana Department of Commerce has established an incremental non-competitive housing program to provide assistance with single family housing rehabilitation activities to better serve LMI households across the state. The processes and procedures outlined in these guidelines will allow eligible entities to complete critical health and safety improvements on a house-by-house basis for a five year period as CDBG funds are available. CDBG non-competitive projects must be completed in collaboration with a Certified Housing Development Organization (CHDO) to ensure that all financial requirements affecting an individual's existing or anticipated mortgage follow HUD guidance and all assisted individuals are provided housing counseling prior to any rehab work being completed.

The CDBG rehabilitation program is a non-competitive application that will receive applications on a first-come, first-serve basis. Available funding is dependent on the award of CDBG funds from HUD; therefore, the funding may vary from year to year. Once the award of CDBG funds from HUD is made available, information on the amount of available funds will be provided by CDBG. CDBG grant program applications, grant application guidelines, the project grant administration manual, and other relevant information and resource are available on the Department of Commerce website at <http://comdev.mt.gov/CDBG/default.mcp>x. Interested persons can also e-mail CDBG Program staff at [DOCCDBG@mt.gov](mailto:DOCCDBG@mt.gov) or call staff at (406) 841-2770.

#### **B. 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. CDBG funding is available to units of government with populations of less than 50,000 and who have been approved through a certification process described in these guidelines. Once the certification has been approved, it will be valid for a five year period so long as the information contained in the original application has not changed substantially. The application must include coordination with an identified Certified Housing Development Organization (CHDO). The CHDO certification is completed through Commerce's HOME program. The approval of an application will allow the local government and CHDO to complete eligible housing rehabilitation activities with CDBG funding.

All activities assisted under the CDBG non-competitive program must benefit persons or

households of low and moderate income (LMI). These income levels include those at or below 80% of median income.

Commerce will send a formal award and certification letter establishing the applicant's five year period to allow housing rehabilitation work to be completed according to the project details listed in the applicant's non-competitive application.

### **C. Eligibility**

#### Eligible Activities

CDBG non-competitive rehabilitation activities are only eligible for single-family housing units. Eligible activities include the following:

- Rehabilitate occupied homes and residential properties determined to have critical health and safety deficiencies,
- New construction of vacant, infill development residential properties, and/or
- Demolition activities which directly result in the redevelopment of residential properties as the direct activity, as established in the one-to-one replacement guidance. Blighted structures targeted for demolition must be designated as "blighted" by the local government.

#### Eligible Housing Units

- All housing units proposed for rehabilitation must have an inspection completed by a professional to determine the specific health and safety deficiencies. A report must be provided to Commerce.
- All housing units proposed for rehabilitation must have an inspection completed to determine the ADA improvements needed, if applicable.
- No housing unit proposed for rehabilitation may exceed the median home price for the project area.
- The cost associated with rehabilitation work may not exceed either: 1. the median home price for the project area or, 2. the value of the property after work has been completed, based on an appraisal at the completion of the project.

### **D. Ineligible Activities**

The following activities are ineligible:

- Demolition of blighted properties as a stand-alone activity,
- Rehabilitation or acquisition of housing units that do not meet the most current HUD standards for manufactured home construction or installation, and
- Rehabilitation of housing units that do not place mobile or manufactured homes on

a permanent foundation

MDOC will advise and provide technical assistance to all applicants regarding these requirements.

### **E. Grant Amounts**

There are no established 'ceilings' for the CDBG rehabilitation program. This is to help address as many identified health and safety deficiencies in each unit. However, projects must base the request on the proposed project budget and on negotiations with Commerce, in order to correct critical health and safety deficiencies and to ensure that all activities are completed without unduly benefiting individual beneficiaries. As guidance for potential applicants, Commerce recommends that applicants apply for funding amounts commensurate with:

- Cost of the project,
- Severity of health and safety,
- Current fair market value of the property in comparison to median home prices in the project area
- Consideration of other applications submitted for CDBG funding,
- Need of the jurisdiction (as established in local planning documents), and
- Capacity to carry out the proposed activities in a timely manner

Commerce reserves the right to adjust requested project amounts based on the applicant's documentation to justify the needs of the jurisdiction and the capacity to carry out the proposed activities in a timely manner. Additionally, MDOC reserves the right to adjust contracted amounts based upon actual performance and progress toward full utilization of funds within the 9 months of the executed CDBG Rehabilitation contract.

### **F. Contract Award Process**

The five-year certification does not award funding to a grantee or their sub-recipient(s), but rather allows the grantee to submit Project Request Forms on a house-by-house basis, and contract each unit individually. The non-competitive program does not intend to establish set-asides or provide lump sum grants for multiple projects or activities. The incremental grant approach will allow individual projects to be approved and placed under contract.

Grantees must submit a Project Request Form to reserve available funds for an individual project. Grantees will be limited to the number of Project Request Forms they can submit to complete housing rehabilitation activities based on their ability to complete an individual project according to their previously funded implementation schedule and having all funded properties at least 50% complete. The Project Request Form will reserve available Noncompetitive funds for a 60 day period to allow the grantee to ascertain whether the unit and/or household is eligible under the non-competitive program. All project request forms will

be considered on a first-come, first-serve basis as date stamped or received in electronic mail by grantees after a certification is approved.

Recipients will be awarded amounts per unit and a contract will be executed obligating CDBG funds to the designated project address. To reduce the risk of recipients obligating funds without the firm commitment of funds from MDOC, applicants should state, within their own procurement contracts or correspondence with potential beneficiaries, that award of bids or purchase agreements are contingent upon receipt of CDBG funds from MDOC through an executed contract.

## **G. Definitions**

### **1. Blighted Structure**

- Structures that would follow the definition under MCA 7-15-4206 part (a):
  - “Blighted Structure” means a structure that is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime, that substantially impairs or arrests the sound growth of the city or its environs, that retards the provision of housing accommodations, or that constitutes an economic or social liability or is detrimental or constitutes a menace to the public health, safety, welfare and morals in its present conditions and use by reason of substantial physical dilapidation, deterioration, age, obsolescence, or defective construction, material, and arrangement of buildings or improvements, whether residential or non-residential.
- Units identified as “substantially substandard” or “severely substandard” according to the Point Detraction Guideline as follows:
  - Substantially Substandard – Unit appears to need substantial repair. (Rehabilitation may not be cost-effective. Alternative forms of assistance may be more appropriate.)
  - Severely Substandard – Unit appears dilapidated. Demolition and housing replacement should be considered.
  - The definition of “substandard buildings” contained in the latest authorized edition of the International Property Maintenance Code published by the International Code Council. This information is available from the Montana Department of Labor and Industry (MDLI), Building Codes Bureau.
  - Any structure determined to be seriously deteriorated or dilapidated according to a locally adopted Code for the Abatement of Dangerous Buildings or similar ordinance to address the debilitating effects of blight within communities.

### **2. Vacant Property**

Any property that is an unoccupied structure or unoccupied parcel of land upon which no structure(s) are present. Development of vacant property is only permitted as infill development in an existing residential neighborhood. New construction on vacant properties, in expanding neighborhoods, is not allowed.

### **3. Housing Condition 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.

### **H. Application Process**

The following items outline the application package for Montana’s CDBG Non-Competitive Rehabilitation grant program:

CDBG Non-Competitive Rehabilitation Application Part 1: Rehabilitation Application Guidelines – Introduction and Overview

CDBG Non-Competitive Rehabilitation Application Part 2: General Application

CDBG Non-Competitive Rehabilitation Application Part 3: Application Qualifying Information

CDBG Non-Competitive Rehabilitation Application Part 4: Appendices

CDBG Non-Competitive Appendix A: Resolution of local governing body authorizing application submission

CDBG Non-Competitive Appendix B: Certifications from local government

CDBG Non-Competitive Appendix C: Management Plan

CDBG Non-Competitive Appendix D: Environmental Checklist

## **I. Review Process**

Applications will be considered according to an incremental award process. The qualifying application questions help to ensure that the project will be successful, will comply with the HUD regulations, and proposes to spend funds in a timely manner. If any question arises when the application is submitted, the CDBG Non-Competitive Rehabilitation Program review team may request additional information.

## **J. Capacity of Applicant and Program Administrators:**

Under HUD regulations, in order to be awarded federal funds, an applicant must have the management capacity to undertake and satisfactorily complete the proposed project. An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity.

- The applicant must provide documentation that the proposed non-profit organization is a CHDO. CHDO certification processes will occur through the Commerce HOME program.
- In order to receive a CDBG Non-Competitive Rehabilitation Program grant, an eligible applicant must have the management capacity to complete the proposed project within 9 months\* from the date of executed contract. Therefore, the CDBG Non-Competitive Rehabilitation Program applicant must provide an implementation schedule, project budget and budget narrative along with a more detailed rehabilitation budget with the draft Project Request Form.
- An applicant is assumed to have the capacity to undertake the proposed project unless available information indicates otherwise. If an applicant does not believe that it currently has the capacity to manage a CDBG Non-Competitive Rehabilitation Program grant, it may propose to hire administrative staff or arrange for project administration by another local government or non-profit organization (separate from the CHDO) through an agreement or by contracting for administrative services with a consultant. (These are allowable expenses that can be paid for using CDBG Non-Competitive Rehabilitation Program funds.)

*\* MDOC reserves the right to extend the 9 month contract period, on a case-by-case basis, due to extenuating or unforeseen circumstances.*

## **K. Citizen Participation Requirements:**

To receive CDBG funds, the applicant must hold a minimum of two public meetings at times and locations convenient to the general public and with reasonable accommodations for handicapped persons. For meetings where a significant number of non-English speaking residents can be reasonably expected to participate, federal law requires that arrangements be made to have an interpreter present. In all cases, the local governments must conduct the required public meetings, even if the local government is considering applying on behalf of a subrecipient.

The first meeting must be held before preparing the application or a project has been decided on by the local government and the second prior to passage of a resolution by the governing body authorizing the submission of the application.

Applicants must provide documentation of the advertisement, copies of public notices, public attendance records, and a summary of comments by local officials and citizens which is sufficient to reflect the comments made during the meeting, a verbatim record is not necessary. Where possible, notice should also be directed to LMI persons or those persons who will benefit from or be affected by CDBG activities and/or groups of LMI persons.

### *First Public Hearing*

The purpose of the first public meeting is to provide an objective and neutral forum for considering overall community needs and potentially competing or alternative proposals for CDBG projects to address those needs.

The first hearing:

- is intended to identify and discuss overall community development and housing needs, including the needs of LMI persons, and to propose possible community improvement projects to meet those needs, before the local government makes a decision on what project(s) will apply for CDBG assistance,
- should inform the public about the amount of state CDBG funds estimated to be available to Montana communities, and the kinds of activities that are eligible to be assisted with CDBG funds,
- should be held at a neutral location, and
- should be held not more than twelve months prior to the application submission.

### *Second Public Hearing*

The purpose of the second public meeting is to give citizens and potential beneficiaries of the proposed CDBG project or project area (especially LMI persons) adequate opportunity to consider and comment on the proposed projects before the community submits the application. At the second public hearing, specific CDBG program requirements and related project issues should be reviewed. For example, if taxes or user changes will need to be increased as part of the cost of financing a CDBG project, it is especially important that residents be informed and understand the necessity of raising user costs.

The second hearing:

- should inform the public about the proposed projects that are being considered for CDBG funding including the details of the scope, design and financial responsibilities resulting from the project

- should discuss the impacts and benefits of the proposed project
- can be held at a non-neutral location (one near the proposed project site)

**L. Important Program Requirements for Housing Rehabilitation Projects**

Although the distribution of CDBG Non-Competitive Rehabilitation Program is subject to all the regulations and requirements of the Community Development Block Grant program, some specific requirements may assist with the preparation of project activities. These requirements include, but are not limited to:

- The one-for-one replacement of housing requirement is required. No demolition activities can occur without replacement of the same number of housing units,
- Uniform Relocation Act (URA) and Section 104(d) are also program requirements,
- Copies of all Civil Rights documents, as required by CDBG regulations, must be submitted with the application,
- A Program Income management plan must be approved by Commerce prior to release of funds for any proposed project,
- Program funds may request a maximum of ten percent of their total grant award, per property, for administrative costs,
- all CDBG grantees to comply with all applicable federal and state laws, executive orders, and regulations affecting their projects, and
- One electronic and hard copy of the application materials must be submitted to the Department of Commerce, Community Development Division.

**M. Continued Affordability**

HUD encourages, to the maximum extent practicable and for the longest feasible term, the continued affordability of housing units assisted with CDBG funds, including homes sold, rented, rehabilitated/improved or redeveloped. These housing units must remain affordable to individuals or families whose incomes do not exceed 80 percent of AMI.

Each applicant must identify they type of affordability restrictions for the entire program, which includes recapture processes and procedures and provide sample recapture templates to reviewed and approved by MDOC. At a minimum, all CDBG assisted rehabilitation projects must adhere to the affordability requirements listed below.

<b>Subsidy Amount</b> <i>(amount of CDBG assistance provided to a homebuyer)</i>	<b>Minimum Affordability Period</b>	<b>Minimum Restriction</b>
Under \$15,000	5 years	Subsidy recapture, 20% forgiveness each year
\$15,000 – \$40,000	10 years	Subsidy recapture, 10% forgiveness each year

<b>Subsidy Amount</b> <i>(amount of CDBG assistance provided to a homebuyer)</i>	<b>Minimum Affordability Period</b>	<b>Minimum Restriction</b>
Over \$40,000	15 years	Subsidy recapture, 6.6% forgiveness each year
New Construction or Acquisition of Newly Constructed Single Family Housing (any \$ amount)	20 years	Subsidy recapture, 5% forgiveness each year