



Community Development Division

Community Development Block Grant 2015-2016 Application for Public Facility Projects

Applications Due No Later Than April 20, 2015

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**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 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 at <http://comdev.mt.gov/CDBG/default.mcp.x>. Interested persons can also e-mail CDBG Program staff at DOCCDBG@mt.gov or call staff at (406) 841-2770.

These application guidelines explain how eligible applicants can apply for CDBG financial assistance. The application form for public facility projects and the outline of the preliminary engineering report and preliminary architectural report is found separate from this guideline but is available on the Department of Commerce website on the Community Development Division's [Division Resources](#) webpage.

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.

II. Eligible Applicants

Each eligible local government jurisdiction may apply for and be awarded a maximum of one competitive grant each program year from the following categories: Planning, Public Facility, and Housing and Neighborhood Renewal.

Applicants must have the legal jurisdiction and authority to finance and maintain the proposed facility, have the capability to specifically assure proper tracking and recording of funds and, where applicable, must have the demonstrated financial capacity to repay any debt incurred. In all cases, the applicant assumes complete responsibility for proper financial management of the CDBG funds awarded to it and compliance with all federal and State laws and regulations. Applicants must be in compliance with all applicable auditing and financial reporting requirements, including the auditing and annual financial reporting requirements provided for in the Montana Single Audit Act, 2-7-501 to 522, MCA. Applicants must have an established financial accounting system that can properly account for grant funds according to generally accepted accounting principles. Tribal governments must comply with auditing and reporting requirements provided for in OMB Circular A-133.

Communities that receive housing or public facilities funding may be ineligible to receive additional funds within the category assisted. A previous recipient of a CDBG award is not eligible to apply until the following conditions have been met for any open grant within the relevant category:

- Compliance with the project implementation schedule;
- Unresolved audit or monitoring findings related to any CDBG grant; and
- Expenditure percentages as follows:
 - 2014 grantee: at least 75% drawn
 - 2013 grantee: at least 90% drawn
 - 2012 or older grantee: 100% drawn and project closed

A. Eligible applicants for CDBG assistance include:

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*

B. Other Entities

Private water or sewer users associations are not eligible to apply for CDBG funds, because they are not an eligible entity. In order to apply for CDBG funds an association would first have to be legally created as a county or multi-county water and sewer district (pursuant to sections 7-13-22 and 23, MCA) before submitting a CDBG application. In addition, the municipality or county water and

sewer district must provide a written commitment that it will assume responsibility for the long-term operation and maintenance of the proposed improvements upon completion of the project. In limited circumstances, counties can apply for funding without the proposed project area being established as a county water and sewer district. To be eligible, the proposed area where the project would take place would be required to be connected to an existing or proposed system owned and operated by an incorporated municipality or a county water and sewer district. If this occurs, you must contact CDBG staff in advance of submitting the application.

Rural Improvement Districts (RID) created by the county in order to build a water or sewer system, and subsequently managed and operated by a county, have often encountered problems in assuring the effective long-term maintenance and operation of those public facilities. While an RID can be a practical mechanism for financing a project, CDBG does not consider this type of arrangement to be a good mechanism for the long-term management and operation of a water or wastewater system. Commerce allows counties to apply on behalf of an RID, with the condition that the RID must be legally created as a county or multi-county water and sewer district before any CDBG grant funds will be released. Refer to sections 7- 13-22 and 23, MCA for details.

Sometimes rural areas outside of an incorporated municipality, or a county water and sewer district, want to be served by an existing system, but do not want, or may not be allowed, to be annexed. However, if an incorporated municipality or a county water and sewer district allows these adjacent areas to be connected to its system, an RID is typically utilized to fund the project so that only those properties benefited by the improvements are paying for the project. Since a RID is not eligible to apply for funding, the county, or the municipality or the county water and sewer district which would extend service to them with an existing system, are allowed to apply for CDBG funds for the improvements, without the adjacent area being required to form as a county water and sewer district. An interlocal agreement would be required between all of the parties involved to assure the long-term operation and maintenance of the proposed improvements.

Under the interlocal agreement, the incorporated municipality, or county water and sewer district, to which the proposed improvements would be connected, must have the authority to charge user fees sufficient to properly operate and maintain the proposed improvements over the duration of the agreement. The duration of the interlocal agreement must be for a period of time no less than the expected life of the improvements. The interlocal agreement would only be allowed to be voided in one of the following situations:

1. if the adjacent area being served, along with the infrastructure improvements, were to be annexed into the incorporated municipality or county water and sewer district; or
2. if the ownership of, and responsibility for, the proposed improvements were to be permanently transferred to the incorporated municipality or county water and sewer district, or
3. if the area being served by the improvements were to form as a county water and sewer district, and it constructed any remaining portions of the system needed in order to allow it to be a stand-alone system.

A project as described above would require, at the time of applying for CDBG funds, a memorandum of understanding signed by all of the parties involved that they understand the scope of the project and are in basic agreement as to what is being proposed. The memorandum should summarize the scope of the project, how the system would be managed and operated, and how the

improvements would be funded in the short and long-term. Prior to CDBG providing any funds that might be awarded; a signed interlocal agreement would be required.

However, any proposed improvements to a stand-alone system or the construction of a new system that is entirely operated and maintained by the county through an RID must be legally created as a county-water and sewer district before an application may be submitted.

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.

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.

Eligible governments can apply on behalf of a tribal utility authority, when LMI persons live on Indian reservations or on allotted Indian land and are members of an Indian Tribe as well as residents of the county, that county can use CDBG funds to assist public facilities for services predominantly used by those individuals. As a result, the Montana State CDBG Program allows State CDBG funds to be awarded to counties that apply on behalf of tribal utility management agencies to assist tribal communities, providing all other federal and state CDBG requirements are met. All such applications will be considered during the regular CDBG grant competition for public facilities applicants. Note: Indian Tribes are not eligible to apply for CDBG funding, as they received a separate allocation of HUD CDBG funding.

State CDBG funds can be used to fund an activity that is located within the boundaries of an entitlement community with a population over 50,000, to primarily benefit residents of the extended community beyond the boundaries 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. This broadened use of CDBG funds provides a regional approach and comprehensive planning between entitlement and non-entitlement communities. Note: Communities with a population over 50,000 are ineligible unless the project is eligible as described previously.

III. Eligible Projects

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.

1. Public Infrastructure

Public infrastructure project activities may benefit all residents if the local government is pursuing a project that would provide area wide benefits and/or include direct assistance to LMI occupied households in projects that have less than 51% area wide benefit, such as payment of special assessments or hookup charges for public improvements targeted to LMI residents only. An important

limitation on this option is that CDBG funds may not be used for engineering or construction costs. If a community uses CDBG funds to finance its public facility project through special assessments or hookup charges that community is required to pay the entire assessment or hookup charge for each LMI household within the project area that is to receive assistance. If the community determines that the CDBG grant amount is insufficient to pay assessments for all LMI households, it must certify that, and either:

- a. CDBG funds will be used to pay all the assessments for low income households only; or
- b. A portion of the CDBG funds will be used to pay for all low income households, and the balance of CDBG funds will be reimbursed for moderate income households by prorating the amount of CDBG assistance in proportion to the level of household income.

2. Community Facilities

Community facilities project, used predominantly by LMI persons, may include county hospitals, nursing homes, senior centers, food banks, Head Start centers, mental health centers, or short-term transitional housing facilities.

Community facility projects designed to provide temporary, short-term, or transitional housing facilities such as emergency and homeless shelters, shelters from domestic violence, youth shelters, and shelters for persons with a mental or physical disability are eligible if owned or operated by local governments or private, non-profit corporations. Non-profit entities may acquire title to public facilities, when such facilities are owned and/or operated by non-profit entities and are available for use by the general public during all normal hours of operation.

Additional Considerations of Eligible Projects

If a PER 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 PER. If the PER 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.

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.

A project grant request may not exceed \$20,000 per benefited household. Only full-time, occupied residential properties at the time the application is submitted will be counted as benefited households; un-developed vacant lots, properties used as vacation rentals, or second homes that are not the primary residence of the owners are not counted as benefited households. To qualify as full-time, occupied residential property, the owners or tenants must live in the residence at least six months each year.

In order to be recommended for more than \$20,000 per benefited household, the applicant must meet all three of the following test criteria:

1. a very serious deficiency exists in a community facility or service, or the community lacks the facility or service entirely; and adverse consequences clearly attributable to the deficiency have occurred, or are likely to occur in the near term (scores at a level four or five on Ranking

Criterion #2); and it has been determined by Commerce that the proposed project will correct the deficiencies; and

2. upon completion of a proposed water or wastewater project user rates would be at least 1½ times the community's "target rate" (based upon the projected monthly rates with CDBG assistance), and
3. other sources of funding are not reasonably available.

For water, wastewater and solid waste projects, other funds are not considered reasonably available if the applicant is either not eligible for funding from a typical source of funding, is not likely to receive funding, or the applicant has applied for, but not been selected for funding.

Meeting the three tests does not guarantee that applicants will be recommended for a grant that exceeds the \$20,000 per benefited household, or for a hardship grant, which is discussed below. As a result, other factors may be taken into account by Commerce when making its recommendations, including issues such as whether the project area is comprised of a high percentage of vacation rental properties or second homes that are not the primary residence of their owners, or is comprised of a high percentage of un-developed, vacant lots. The number of un-developed, vacant lots will be based on what has been developed at the time the application is submitted.

If the financial analysis cannot be performed because the required information is not provided, the amount of any recommended grant will be based on the current number of households within the project area.

Applicants that do not meet the three tests as listed above will either be recommended for a reduced grant amount or may not be recommended for any grant if it appears that the project is no longer financially feasible without the full amount that was requested. As a result, it is very important for applicants to discuss their proposed funding scenario with the CDBG staff prior to application if they plan to exceed the \$20,000 per benefited household.

Matching Funding sources for CDBG projects

1. Types of Matching Project Grants

- **Standard Grants**
Applicants must contribute local funds equal to at least 25% of the total CDBG funds requested for administrative and public facilities activities.
- **Hardship Grants**
In cases of extreme financial hardship and where very serious deficiencies exist that would affect the public's health or safety, an applicant may be eligible to receive a Hardship Grant from 51% up to 75% of the eligible project expenses in order to help reduce user costs to a more affordable level. However, the total amount requested cannot exceed the maximum CDBG grant. Applicants will only be recommended to receive a CDBG Hardship Grant if all three tests are met as described above for the \$20,000 limit per household.

2. Eligible Match

In order to be eligible for a CDBG project grant, matching funds must be provided by the applicant to assist

in financing the total project cost. Expenses eligible for CDBG matching project funds include but are not limited to:

- a) Cash Match. The expenditure of any of the funds identified below on any eligible CDBG expense after the date identified in the Notice of Award letter are eligible as CDBG matching funds:
 - local general funds or other cash;
 - proceeds from the sale of general obligation, revenue, special assessment or other bonds;
 - entitlement or formula-based federal or state funds such as federal highway funds or payments in lieu of taxes;
 - loan or grant funds from a state or federal program other than CDBG;
- b) Previous Cash Expended. The expenditure of any of the funds identified above prior to the date identified in the Notice of Award letter is not eligible as CDBG matching funds, except when directly related to the preparation of engineering studies, reports, plans, or the grantee's CDBG grant application directly related to the CDBG project up to 2 years prior to the date identified in the Notice of Award letter
- c) In-Kind Match. The following sources of value are eligible as TSEP matching funds:
 - the value of land provided by the grantee, which value is based on an appraisal conducted within 6 months of acquisition of such land;
 - an impartially written statement that adequately describes the land or materials, and states an opinion of defined value as of a specific date;
 - supported by an analysis of relevant market information; and
 - prepared by a qualified appraiser independent from the applicant.
 - the value of labor performed by the grantee's employees on the CDBG project after the date identified in the Notice of Award letter, as long as the employee is paid at his or her standard hourly rate of pay and the time worked is adequately documented; and
 - the value of machinery or materials used in the process of constructing the project that is owned (or leased) and operated by the applicant, which value is based on the most recent Federal Emergency Management Agency (FEMA) equipment rate schedules or, in the case of materials, adequately documented acquisition costs.

3. 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 in this application and appendices. One hard copy and one electronic copy of the CDBG application

information along with one hard copy and one electronic copy of the PER/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.

Applicants must provide the information identified in the following appendices:

Appendix A: Application Questions & Uniform Application for Montana Public Facility Projects

Appendix B: CDBG Certification for Application

Appendix C: Resolution Authorizing Submission of CDBG Application

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 ranking criteria. To facilitate Commerce's review, applications should be organized according to the format outlined in the appendix found in these guidelines. 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 seven 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 is 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.