



**COMMUNITY DEVELOPMENT DIVISION**

**Documenting Benefit to Low and  
Moderate Income Persons**

**COMMUNITY DEVELOPMENT BLOCK  
GRANT (CDBG) PROGRAM**

**Updated July 2020**

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# 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 and is administered nationally by the U.S. Department of Housing and Urban Development (HUD).

## National Objective

CDBG's National Objective is to help develop viable communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income (LMI). The CDBG program assists local governments with projects such as constructing or upgrading drinking water systems, wastewater treatment facilities, and community facilities (such as senior citizen centers, nursing homes, or Head Start centers). CDBG grant program application guidelines, project grant administration manual, and other relevant program information and resources are available on the [Department of Commerce website](http://comdev.mt.gov) (comdev.mt.gov). Interested persons can also e-mail CDD program staff at [DOCCDD@mt.gov](mailto:DOCCDD@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.

In order to qualify for CDBG funds, a minimum of 51% of the beneficiaries must be documented as persons of low and moderate income (LMI).

## Benefit to low and moderate income persons can be documented in three ways:

- Area wide benefit by using the recorded LMI percentage as provided by the 2015 Census (according to HUD information) which is available on the CDBG website and follow the methodology as listed in this CDBG handbook "Documenting Benefit to Low and Moderate Income Persons". All applicants must use the most current HUD data; or
- Limited clientele by describing and documenting how the proposed project qualifies under "limited clientele" as defined by HUD, or
- Direct Benefit by conducting a survey that meets the requirements of this CDBG handbook "Documenting Benefit to Low and Moderate Income Persons" and including a description of the process used to document direct benefit.

The appropriate method to document benefit to LMI persons differs for each project and depends on the population served by the proposed CDBG funded activity.

For CDBG Community and Public Facilities projects, points will be assigned, upon review of documentation, as described in CDBG Ranking Criterion # 6, Benefit to Low and Moderate Income.

For CDBG Affordable Housing Development and Rehabilitation Projects, CDBG Ranking Criterion # 5, because all homes developed or rehabilitated with CDBG funds provide a direct benefit to LMI households, housing projects that do not directly benefit LMI households will receive 0 points in the ranking criterion and are not eligible to receive CDBG funds. Applicants will receive 150 points for demonstrating the proposed project will benefit households with incomes at or below 80% of the Area Median Income. Applicants will receive 200 points for demonstrating the proposed project will benefit limited clientele, as defined by HUD.

Documenting benefit to LMI persons is also a key component of CDBG Economic Development projects, as well as for Planning Grants and the CDBG Small Scale Housing Development and Rehabilitation program.

## **Area Wide Benefit to LMI Persons**

Area wide benefit to LMI households occurs in project activities designed to serve needs in a specified geographic area where at least 51% of the population is LMI but will benefit all the residents of that area equally, regardless of income. Households need not qualify individually as the project serves the entire geographic area and all its households. In these cases, CDBG funding typically assists to construct improvements to a public facility (such as a water or wastewater system or a fire hall) that serves an entire project area or community.

The primary resource for documenting LMI benefits for proposed projects that will benefit a geographic area, such as a town or a neighborhood, is the U.S. Census, American Community Survey (ACS) data. From ACS data, HUD has prepared tables to show LMI information for each Montana county, Census Designated Places (incorporated cities, towns, and rural, unincorporated communities), and Census Block Groups. All applicants must use the most current HUD data. The Montana Department of Commerce has made this data accessible on its website, and has combined it with the Treasure State Endowment Program's calculation for water and wastewater target rates for all cities, towns, and Census-Designated Places across Montana.

If the HUD LMI data lists the applicant's percentage of LMI as 51% or greater, this source can be cited by an applicant and would be considered acceptable documentation for CDBG eligibility. If the HUD LMI data lists the applicant's percentage below 51%, the applicant may be able to complete an income survey.

The actual project area boundaries must be clearly delineated because they determine which households would be served and, therefore, affect the calculation of the LMI benefit. In reviewing proposed LMI benefit for a public facility project, Commerce will evaluate how CDBG participation in the project would benefit LMI residents. This evaluation is also often dependent on how a conventional public facilities project would be financed.

**Example 1:** Using a CDBG grant to install new water lines in a community where at least 51% of the households served by the project are LMI. The community's overall percentage of LMI would be used to score LMI benefit since all the community's residents would share equally in the financial benefit from the CDBG assistance by receiving lower, monthly user charges.

**Example 2:** Using CDBG funds to pay the Special Improvement District (SID) assessments levied on households for installing sewer mains in a residential neighborhood would be a project area that encompasses only the specific homes served by the SID. In this case, CDBG would look for an income survey of the households within the SID area that would document the number and percentage of LMI households affected. That number would be the LMI percentage accepted for this project activity. If less than 51% of households served by the project are LMI, the project would not be eligible for CDBG funding or, alternatively, could consider providing direct benefit (explained later).

### HUD Resources – Demonstrating Area Wide Benefit

The HUD Exchange has information available on its website for the ACS 5-Year Low and Moderate Income Summary Data, including Low-Mod Margin of Error for Places. This information can be found here (please use Google Chrome for access):

<https://www.hudexchange.info/programs/acs-low-mod-summary-data/>

This link also includes a video prepared by HUD which discusses the use of Census data in documenting benefit to low and moderate income households as part of proposed area wide projects. Montana communities considering the submittal of CDBG applications based on demonstrating an area benefit to LMI households are urged to review this HUD guidance.

A mapping application can be found at the same HUD website noted above, or found directly here:

<https://hud.maps.arcgis.com/home/item.html?id=ffd0597e8af24f88b501b7e7f326bedd>

The HUD mapping application allows the user to view low and moderate income information by county, Census Designated Place, or Census Block Group for any location within the United States. This application overlays selected U.S. Census geographic boundaries on an aerial photograph or other base map option which can be printed.

### Montana Department of Commerce Resources – Demonstrating Area Wide Benefit

Area wide benefit, LMI census data information for counties, cities, towns, and unincorporated communities ( if located within a Census Designated Place ), and median household income can also be found here:

<https://comdev.mt.gov/Resources/Financial/TargetRate>

Additionally, low and moderate income *maps* for Montana cities, towns, and counties based on the most currently available data can be found here:

<https://comdev.mt.gov/Programs/CTAP/MappingData/LMIMaps>

### A Special Note for Schools

Montana school districts considering seeking the sponsorship of a local government to submit a CDBG application to carry out a school improvement activity must be able to demonstrate that at least 51% of the households served by the school district are LMI since all the school district's residents would share equally in the financial benefit from the CDBG assistance. Just as the case for any CDBG local government applicant, this basic requirement can be met by use of HUD summary data or by conducting an LMI income survey.

If using HUD summary data, school districts would have to demonstrate that the school district boundary closely corresponds to the level of U.S. Census geography for which HUD summary data is available, whether for a local government, census designated place, census tract, or census block group, or else carry out an income survey. In some cases, it may be necessary to combine HUD summary data from several Census areas to demonstrate that most of the district's households are LMI. In all these cases the school district should contact Montana CDD staff for guidance and assistance.

## Limited Clientele Benefit

A benefit to limited clientele activity occurs when the project will help a specific population of people defined as limited clientele, rather than all residents in a geographic area. Limited clientele activities are *presumed* to provide 51% benefit to LMI persons. To qualify under the Limited Clientele LMI category, the activity must meet one of the following two tests:

**TEST 1:** Benefit a clientele group established by HUD to be principally LMI persons, as follows:

List of Limited Clientele:

- abused children
- elderly persons (age 62 or older)
- battered spouses
- homeless persons
- severely disabled adults or children
- illiterate adults
- persons living with AIDS
- migrant farm workers

24 Code of Federal Regulations Part 570, 483 (b) (2) Limited Clientele Activities.

**TEST 2:** Be of such nature that it may be reasonably concluded that the activity's clientele will primarily be LMI persons. For example: the minimal LMI requirement (51%) can be met by using CDBG funds to assist a facility that will primarily serve an LMI clientele, such as a Head Start Center, because the Head Start's federal requirements mandate that at least 90% of the children served come from lower income families.

Limited clientele activities also include special projects directed to the removal of material and architectural barriers that restrict the mobility and accessibility of elderly or handicapped persons to publicly owned and privately owned nonresidential buildings, improvements, and the common areas of residential structures containing more than one dwelling unit.

Exceptions: the following kinds of activities are unlikely to qualify under the "limited clientele" category (confer with CDD staff on a project-by-project basis, however):

- activities where the benefits are available to all the residents of an area;
- activities involving the acquisition, construction, or rehabilitation of property for housing; and
- activities where the benefit to LMI persons is the creation or retention of jobs.

Responsibility is placed on the applicant to provide "*documentation to verify that the services provided by the organization primarily serve a limited clientele population*". In CDBG ranking reviews the ranking / evaluation team must decide whether the application has met the adequate "documentation test". Applicants are encouraged to communicate their Limited Clientele / LMI benefit strategy to CDD staff early before the application due date, so staff have adequate time to respond and provide feedback. \_\_\_\_\_

CDD staff does not approve up-front whether an applicant has met the national benefit to LMI objective. This determination and evaluation are undertaken by the CDBG ranking team as part of the application review of CDBG ranking criterion # 6.

## **Direct Benefit to LMI Households**

A direct benefit activity occurs when the project will provide direct assistance to an income-eligible household, such as:

- rehabilitation of housing occupied by LMI households, or
- a public facility project that will pay utility hookup charges or assessments for only LMI households.

Documenting LMI benefit for direct benefit projects is clear-cut since LMI applicants for direct CDBG assistance must qualify according to current year [HUD Income Limits](#) for the county in which the project is located ( all beneficiaries are LMI Households ). Household applicants for direct CDBG assistance must provide adequate documentation of their gross annual income. Beneficiaries must be advised that providing false information is a serious matter and constitutes fraud under federal law.

Applicants may propose using CDBG funds to pay directly for the cost of water or sewer hookups, meter installation, or special improvement district assessment costs which, otherwise, might be imposed on LMI households. Keep in mind, however, that special requirements apply to projects financed, in part, by hookup charges or assessments on property (such as through a special improvement district). Please contact Commerce for assistance if that situation applies to your community.

In projects where direct financial assistance to LMI persons/households is proposed (such as paying assessments or hook-up costs for LMI households), it is necessary to explain how LMI status will be documented by describing how the project will confirm the LMI status of beneficiaries and limit LMI benefits to only LMI households or persons. If necessary, describe how funds will be distributed first to low income and then to moderate income beneficiaries, if funds are available.

### **Creation or Retention of Jobs Made Available to LMI Persons**

Under the CDBG Economic Development category, CDBG funds can be used to assist for-profit and not-for-profit organizations to create or retain jobs made available to LMI persons. The CDBG Economic Development Application Guidelines provide guidance for verifying LMI jobs created or retained according to HUD income limits.

## **DETERMINING "LOW AND MODERATE" INCOME**

The Montana Department of Commerce uses federal definitions to determine the eligibility of families and local governments for CDBG assistance (see Exhibit A). In the CDBG program, income includes the gross family income - that is, all payments from all sources received by each member of the household who is not a minor (even if temporarily absent).

Eligibility for assistance under the CDBG program is dependent on serving low and moderate income households related to the current Median Family Income (MFI) as determined by HUD for each Montana county, as follows:

Percent of MFI	Program Definition
50-80% of MFI	CDBG = Moderate Income
<50% of MFI	CDBG = Low Income

Each year, HUD publishes specific CDBG income limits used to delineate income, according to household size for each of Montana's counties. The current income limit tables are linked to the [Community Development Division website](http://comdev.mt.gov/Resources/hudincome/limits) (comdev.mt.gov/Resources/hudincome/limits).

## CONDUCTING LOCAL INCOME SURVEYS

As a first step, contact CDD staff to consult about whether an income survey is advisable. Keep in mind, if the survey and process are not properly documented, Commerce will use the HUD community LMI percentage based on U.S. Census Bureau data instead of results from a local income survey that fails to meet Commerce requirements.

Conducting an income survey is appropriate in situations where:

- the HUD data indicates that fewer than 51% of persons in the community have low and moderate incomes; or
- in cases where HUD and/or Census data is not available; or
- where Census boundaries do not correspond to the proposed project benefit area.

**Note: It is crucial that applicants considering undertaking an income survey consult with CDD staff beforehand.**

Community Development Division staff will work with applicants to determine when a survey is necessary. A key, first step is understanding the nature of the applicant's proposed project and then reviewing the current HUD LMI data based on 2015 ACS information, evaluating either community-wide information, census tract, or block group data – whichever is most applicable.

In many cases it is necessary to coordinate with staff of USDA Rural Development, especially in those cases where the applicant is proposing an *actual* income survey in the hopes of achieving a lower community median household income figure ( for target rate purposes ) and to qualify for grant assistance from USDA. At this stage, development of the CDBG income survey is very much a team effort.

Much interaction must occur between CDD staff, the applicant, and Rural Development, as applicable. In addition, if Rural Development is involved, staff of the Midwest Assistance Program are typically recruited to actually conduct the survey (MAP is partially funded by USDA). In these cases, MAP staff also become key players along with the applicant, CDD staff and Rural Development in the preparation and final execution of the survey.

The actual, final commencement of the income survey should not proceed until there is a consensus as to survey format and procedure with the applicant and among all the team players mentioned above.



## Description of the Survey Process

Applicants must be able to document that the local income survey has met CDBG's minimum requirements for a local income survey by:

- adequately describing the income survey methodology used; and
- adequately documenting that the methodology meets the CDBG requirements, including:
  - the use of current, HUD LMI income levels;
  - the use of an acceptable survey format;
  - documenting minimum sample size;
  - documenting that the survey sample was either truly random OR that the total benefitting population was surveyed; and
  - notifying the respondent that s/he must be able to document the annual income reported, if requested.

For CDBG purposes, permanent, occupied households are the households to be surveyed, including owner-occupied and rental units. If a question arises as to the status of a resident, either the registered voting place or where the resident resides most of the year and declares residency for income tax purposes is to be considered the occupant's residence.

### A. SURVEY RETURN SIZE:

To document that income surveys have been conducted with a sound methodology, CDBG uses a formula that sets a minimum number for survey responses properly completed and returned. This number is based on the total population of the defined project's service area, such as a neighborhood, county water and sewer district, or a town or county.

Please refer to HUD Notices CPD-19-02 and CPD-14-013 for guidelines on conducting CDBG income surveys which can be found on the HUD Exchange website.

A local income survey's sample size shall be determined using the following three criteria:

**1. If the number of households to be served by the project is 200 or fewer, the minimum percentage of properly completed surveys needed to provide a valid response rate is 67%;** if the number of households to be served by the project is less than 50, please contact Commerce staff for acceptable sample size.

or

**2. If a community has more than 200 households, the required minimum number of completed surveys returned must be determined by the formula below:**

Required minimum number of returned surveys =	$\frac{.25}{.000625} + \frac{.25}{\text{Population size}}$	= minimum survey return size
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It should be noted that the “minimum survey return size” in the formula provided above means the actual number of surveys properly **completed and returned** (not the number of households receiving the distributed survey).

**EXAMPLE:** Assume your community has 1000 households. The calculation is as follows:

Step One:  $.25 \div 1000 = .00025$

Step Two:  $.00025 + .000625 = .000875$

Step Three:  $.25 \div .000875 = 285.71$

Round up: The minimum number of surveys that must be completed and returned for a valid process would be 286.

Communities conducting income surveys must get a return of surveys that reaches the minimum sample size (as calculated according to the formula above). For the purposes of most local surveys, the “population size” in this formula is the number of households in your community. If there is any doubt about whether you have calculated the correct number, call and discuss with CDD staff.

and

3. The maximum margin of error establishes a standard that a local income survey must be “at least as good as” the 2015 ACS LMI summary data or in conformance with the most recent HUD CDBG regulations, guidelines, or more current summary data. The maximum allowable margin of error of the local survey shall be the lesser of 10 percent of the margin of error or the HUD-provided data for the equivalent geography. For example, if HUD’s data indicate an 8 percent margin of error, the local survey will be required to have a margin of error of 8 percent or less. If HUD’s data indicate a 12 percent margin of error, the local income survey would be required to have a margin of error of 10 percent or less.

**Note** - Applicants should be prepared to make additional efforts, such as a follow-up mailing or more door-to-door interviews, until an adequate response rate is achieved.

In some cases, the population to be surveyed may be the clientele served by a facility. As an example, a hospital might send an income survey form to all those persons served during a preceding calendar or fiscal year to determine the LMI percentage of its clientele. Please be aware that other funding agencies may have different survey requirements. Please contact those agencies and utilize the most stringent survey methodology and response rate.

## B. RANDOMIZING THE SURVEY

If you are not surveying the *entire* population, the households to be surveyed must be chosen at random. Every household in the population to be served by the project should have an equal chance of being included in the random sample. Before establishing such a sample, find a way to identify all of the individual households in your project area. For mailed or telephone surveys, consider motor vehicle registration records or city utility records to provide a comprehensive list.

To determine the interval you will sample, divide your sample size into your population size, then:

- If, for instance, you have 400 households and plan to survey a sample of 200 of them, take every other name (or for a door-to-door survey, visit every other house); OR
- Number the list of 400 households and then find a web service (using 'free randomizer' as your search keyword) to select the 200 numbered households to be surveyed; OR
- List all 400 of the household addresses in your project area, mix them up in a hat, and draw the 200 house addresses you will need to meet your sample size.

Keep in mind, in this example 200 is the minimum sample size. It is wiser to set a random sample large enough to accommodate surveys without responses.

For all surveys, each unit in a multi-family structure, such as an apartment building, should be counted as a separate address. Call-back/follow-up visits should be made to sampled residences where no one was available for the initial interview. If the call-back visit is also unsuccessful, another random address should be interviewed.

### C. OUTREACH PRIOR TO CONDUCTING A SURVEY

People are more likely to respond to an income survey if they know there is a good reason for the survey. Publicity might include radio announcements, talk programs, newspaper articles, inserts with the utility bills, and/or posters in community, high traffic areas. Assure citizens that income information will be kept confidential and used only to apply for the grant. If the reasons for the survey are well-publicized, there may be a more favorable response by the public. In addition, a short cover letter with a mailed questionnaire will let people know why the information is important.

### D. DISTRIBUTION AND COLLECTION OF THE QUESTIONNAIRE/SURVEY FORM

The following are various ways to conduct the income survey:

- Mailed questionnaires;
- Door-to-door personal interviews; or
- Phone interviews by individual surveyors and distribution in public places or in the newspaper.

In deciding how to conduct the survey and administer the questionnaire, applicants should consider several factors:

- time;
- cost;
- available resources (volunteers, staff); and
- desired rate of return.

## Mailed Questionnaires

Survey forms sent through the mail may have a low rate of return and there may be uncertainty about a question's intent or the purpose of the survey. Better results are obtained with volunteers who distribute and collect the questionnaire in person. If mailed, be sure to provide a stamped, self-addressed envelope to help assure that survey information will be received and handled in confidence. A community might color-code survey forms to more readily determine if neighborhoods have concentrations of LMI families.

Applicants are encouraged to design a way to follow-up to improve response rate if there are insufficient responses to meet the required minimum sample size. One method is to number each return envelope before mailing the survey and keep a confidential list of matching addresses and numbers. That way, a second mailing can be sent to those who did not respond, or the surveyor may directly contact them to explain the importance of the survey. This also provides a means for Commerce or HUD to verify the survey, if necessary.

Some communities use a prize lottery to increase the response rate. For example, placing numbered coupons in a prize drawing for those who complete and mail the survey may increase the number of households who respond.

## Door-to-Door Personal Interviews

The most reliable and accurate method of conducting a survey is going door-to-door with trained interviewers. The surveyor(s) ask each question on the survey form. When the survey process is approached this way, the two-way communication allows for clarification of questions, as well as assuring more complete coverage and response from the community. A disadvantage of the personal interview is that it cannot provide the level of privacy assured by a mailed questionnaire. Some people may be hesitant to disclose income levels or similar personal information to someone they know.

One compromise approach is to take a printed questionnaire door to door. The respondent can complete the questionnaire individually, place the questionnaire in a sealed envelope, and either return it to the interviewer immediately or by mail. Sometimes the community places drop boxes at a central location to return the survey envelope. This approach has the advantage of offering greater privacy and making the interviewer available to explain the importance of the survey or to clarify questions. When surveys will be completed immediately, they should be very brief, asking only for household income information.

## Phone Interviews and Distribution in Public Places or in the Newspaper

Commerce strongly encourages the use of written survey forms rather than telephone surveys or distribution in public places or the newspaper. If a telephone survey is conducted, applicants must retain detailed logs of the persons contacted and their responses. Distributing surveys in a public place or by newspaper, while uncomplicated, is unlikely to generate enough responses to meet Commerce requirements and it is difficult to be sure that the correct audience of responders has been reached. Generally, in those cases where an entire population will benefit from a proposed CDBG project and a random survey method is selected, any survey that does not appear to be truly random will not be accepted.

After the survey is conducted, append the following to the application you submit to CDBG:

- a blank income survey form,
- a composite summary of all responses, and
- a description of the methodology undertaken to conduct the survey.

For **area wide benefit** situations:

- Document that the proposed project area is principally residential;
- Verify LMI benefit with [HUD LMI data](#), OR
- Verify LMI benefit with an income survey and adequately describe your methodology, as follows:
  - Document that correct [HUD Income Limits](#) were used;
  - Provide a copy of the compliant survey form and a summary of results;
  - Document that the minimum sample size requirement was met; and
  - Document that the sample was either random or included the total population.

For projects involving **direct benefit** to LMI persons, describe how LMI status of persons served will be documented. In these cases, the applicant must verify the income of beneficiaries and limit benefits to LMI persons only.

**Note:** If an income survey is not properly documented or does not meet CDBG requirements, Commerce will use the HUD community LMI percentage based on U. S. Census Bureau data instead of the results claimed from a local income survey to score the application. **It is crucial that applicants considering undertaking an income survey consult with CDD staff beforehand.**

## **CALCULATING LMI BENEFIT FOR A MULTIPLE ACTIVITY PROJECT**

Sometimes a proposed project may include several different elements, parts of which may assist an entire geographic area and have other parts which would assist only a special group of persons or improve only a part of a building. In these cases, please contact CDD staff to determine LMI benefit for these multiple activity projects or mixed-use building projects. In most cases the LMI benefit can be pro-rated based on square footage and estimated project cost.

## **RECORDS RETENTION**

CDBG applicants are required to provide documentation to support the LMI benefit stated in the CDBG application. If a grant is awarded and the claimed LMI benefit is based on an income survey, all original survey documentation must be retained by the applicant for four years past the date of project closeout and must be available for review and verification, if necessary. Even if a project is not awarded a grant, it may be useful to retain the survey records, in case an applicant decides to re-apply in the future.

If a local government receives a CDBG grant, Commerce will monitor project records and review documentation regarding benefit to LMI households. The detailed documentation could be determined to be inadequate to meet Commerce requirements. The lack of adequate

documentation to substantiate compliance with the LMI benefit requirement is considered sufficient grounds for the Department to withdraw a grant award or require reimbursement of CDBG funds.

For this reason, it is very important for potential applicants to contact CDD staff for guidance before undertaking an income survey.

#### Retaining Records for Direct LMI Benefit Projects

For direct LMI benefit situations, CDBG grantees must document the eligibility of the persons or families that will receive CDBG benefits. Beneficiaries may be required to submit documentation confirming gross annual income, such as copies of their most recent income tax forms, social security documentation, bank statements, payroll, or similar documents. Copies of the submitted documents must be retained, with great care taken to maintain confidentiality.

#### Retaining Records for Area Wide Benefit Activities

For area wide LMI benefit projects, documented by a local income survey, the required number of households must complete and return the survey forms. If a respondent refuses to sign (or at least initial and date the form), that survey may not be counted toward the required number of survey responses. Again, copies of the submitted documents must be retained, with great care taken to maintain confidentiality.

## **EXHIBIT A**

### **Federal Standards for Definition of Low and Moderate Income Status (from the U. S. Housing Act of 1937)**

#### **Section 889.103 Determination of income for eligibility**

For purposes of determining whether a family is a low income family [*this is called "moderate income" for CDBG purposes*] or a very low income family [*this is called "low income" for CDBG purposes*], income shall be determined in accordance with Section 889.104, except that where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets mean value of equity in real property, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.

#### **Section 889.104 Computation of annual income**

(a) Except as provided in paragraph (b) of this section, all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:

- (1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
- (2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
- (3) Interest and dividends;
- (4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
- (5) Payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay (see paragraph (b) (3) of this section).
- (6) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
  - (i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus

- (ii) The maximum amount that the public assistance agency could in fact allow for the family for shelter and utilities.
  - (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling:
  - (8) All regular pay, special pay, and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse (see paragraph (b) (5) of this section).
1. The following items shall not be considered as income:
- (1) casual, sporadic or irregular gifts;
  - (2) amounts that are specifically for or in reimbursement of the cost of medical expenses;
  - (3) lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses;
  - (4) amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans, not used for the above purposes of which are available for subsistence are to be included in income;
  - (5) the special pay to a serviceman head of a family away from home and exposed to hostile fire;
  - (6) Payments received pursuant to participation in the following volunteer programs under the ACTION Agency:
    - (i) National Volunteer Antipoverty Programs that include VISTA, Service Learning Programs and Special Volunteer Programs.
    - (ii) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).



## **EXHIBIT B**

### **Household Income Surveys for Area Wide CDBG Projects**

#### **Determining at least 51% LMI Households**

For CDBG purposes, when a community must simply determine whether its community's, household incomes are simply above or below the applicable moderate household income limit, Exhibit B - Option 1 would be the appropriate model to utilize. Its correct use will define what percentage of the community's' households are LMI and will help assure that at least 51% of households in a proposed project area fall within at least the moderate income category.

In this model survey form the latest HUD income limits for the applicable County are inserted into the form utilizing the 80 % of median family income figure (the cut-off for moderate income according to the definition adopted for use in the CDBG program). It is not necessary for homeowners or renting families to list their actual, annual incomes. Respondents only need to check whether their annual income is either above or below the limit identified based on the number of persons residing in their household.

#### **Determining at least 51% LMI and Distinguishing between Low and Moderate Income Households**

In some cases, depending on the particular needs and financial strategy related to the proposed CDBG project, it will be necessary to distinguish between moderate and low income households. For instance, CDBG projects that propose to utilize a financing mechanism, such as paying assessments associated with a special improvement district ( or paying utility hook-up costs ) may desire to develop an estimate of the anticipated costs associated with paying 100 % of the costs of assessments for **low** income households and then applying the remaining CDBG grant funds to pay the assessment costs for **moderate** income households ( those households falling in between the low and moderate income limits ), based on a requirement set forth in the HUD regulations for the CDBG program. In these cases, Exhibit B – Option 2 would be the appropriate model to use. Because of the complexities involved in complying with this HUD requirement, in all cases communities contemplating the use of this financial strategy should contact CDD staff for special guidance.

#### **Determining at least 51% LMI and Determining Exact Household Incomes**

In other cases, an incorporated community or a water and sewer district may desire to establish a newer median income figure for all households within a proposed project area. In these cases, it will be necessary for each household to write down their actual income based on their household size.

For projects that need or want to determine exact household income, the model to use would be Exhibit B – Option 3. The reasons for doing so might be because the local government is trying to satisfy the requirements of more than one funding program. Some communities have experienced local economic or demographic changes that may affect the percentage of LMI residents in the community. The latest water and wastewater target rate information, drawn from the U.S. Census

American Communities Survey, may not accurately reflect those changes. In such a case, the community may wish to conduct an actual income survey to develop a new community median income.

In such cases the CDBG LMI percentage can also be calculated by comparing the survey results against the most recent HUD published County income limits for the applicable county so long as the survey form included the required definition of gross annual income for the CDBG program and household size. This strategy might also result in a new community target rate for water and wastewater under the Commerce Treasure State Endowment Program (TSEP).

## Exhibit B – Option 1

# MODEL HOUSEHOLD INCOME SURVEY FOR AREA WIDE CDBG PROJECTS

**Note:** *This page represents page one of the survey format for area wide CDBG projects. It should be used in combination with one of the options for page two, which follow this page.*

The information requested below is vital to (community's name) application to the Montana Department of Commerce for a Community Development Block Grant (CDBG).

The CDBG Program is a federal program intended to assist Low and Moderate Income (LMI) families. Your individual response will be kept confidential and will not be available to the general public. The individual statistics will be compiled and used in aggregate form for the grant application.

Included in the definition of "Annual Income" are all payments from all sources received by the family head (even if temporarily absent) and by each additional member of the family household who is not a minor (a minor is defined as a person under age 18). Income includes:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
2. The net income from operation of a business or profession or from rental or real or personal property (this includes gross receipts minus operating expenses received from the operation of an unincorporated farm or ranch);
3. Interest and dividends;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay;
6. Public assistance;
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and
8. All regular pay, special pay, and allowances of a member of the armed forces (whether living in the dwelling) who is head of the family or spouse.

**INSTRUCTIONS:** The table below lists incomes for various household sizes. For the column that matches your household's size, was the combined gross income for all adult members of your household in the year 20XX, ABOVE or BELOW the income listed?

Family Size	1	2	3	4	5	6	7	8
Family Income	\$38,500	\$44,000	\$49,500	\$54,950	\$59,350	\$63,750	\$68,150	\$72,550

**Note:** Be sure to insert the current HUD moderate income (80 % of median) figures **for your county** taken from the HUD Income Limits **[The numbers inserted are only an example -- delete this note.]**

ABOVE \_\_\_\_\_ BELOW \_\_\_\_\_

**(Place an "X" behind the word that applies.)**

**EXAMPLE:** If there are **three persons** currently residing in your household and the total gross income of the **two adults** was **\$45,000**, you would put an "X" after **BELOW** in the space above.

I certify that, after reviewing the CDBG definition of "annual income," the statement above is correct and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Address

\_\_\_\_\_  
Date

**Note** – For proper documentation, the individual should either be asked to sign the form, or local officials can have the person initial the form and the preparer code it by number so that the information is capable of being verified at a later date. Delete this note from your survey form.

**Exhibit B – Option 2**  
**MODEL HOUSEHOLD INCOME SURVEY FORMAT**  
**FOR AREA WIDE CDBG PROJECTS -**  
**DISTINGUISHING BETWEEN “MODERATE” INCOME**  
**AND “LOW” INCOME**

Note- This income survey option is for projects that need to, or have reason to want to, distinguish between “moderate income” and “low income” households. Be sure to insert the current HUD income limits for moderate income and income households for your county. Delete this note from your survey form.

The information requested below is vital to (community’s name) application to the Montana Department of Commerce for a Community Development Block Grant (CDBG).

The CDBG Program is a federal program intended to assist LMI families. Your individual response will be kept confidential and will not be available to the general public. The individual statistics will be compiled and used in aggregate form for the grant application.

Included in the definition of "Annual Income" are all payments from all sources received by the family head (even if temporarily absent) and by each additional member of the family household who is not a minor (a minor is defined as a person under age 18). Income includes:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
2. The net income from operation of a business or profession or from rental or real or personal property (this includes gross receipts minus operating expenses received from the operation of an unincorporated farm or ranch);
3. Interest and dividends;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay;
6. Public assistance;
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and
8. All regular pay, special pay, and allowances of a member of the armed forces (whether living in the dwelling) who is head of the family or spouse.

**INSTRUCTIONS:** This survey is not asking for you to write down your income. It asks only that you indicate by a check in the box how many persons are in your household and that you put an additional check in the box that most accurately reflects the combined gross annual income for all adult members (persons age 18 and over) of your household for the year 20....

Please remember this information is confidential. It is very important, however, that the responses are accurate because the information helps determine the level of need for grant funds or other outside assistance.

- A.  There is one person in my household and the total yearly household income is:  
 above **\$38,500** / year  
 below **\$38,500** / year  
 below **\$24,050** / year
- B.  There are two people in our household and the total household income is:  
 above **\$44,000** / year  
 below **\$44,000** / year  
 below **\$27,500** / year
- C.  There are three people in our household and the total yearly household income is:  
 above **\$49,500** / year  
 below **\$49,500** / year  
 below **\$30,950** / year
- D.  There are four people in our household and the total yearly household income is:  
 above **\$54,950** / year  
 below **\$54,950** / year  
 below **\$34,350** / year
- E.  There are five people in our household and the total yearly household income is:  
 above **\$59,350** / year  
 below **\$59,350** / year  
 below **\$37,100** / year
- F.  There are six people in our household and the total yearly household income is:  
 above **\$63,750** / year  
 below **\$63,750** / year  
 below **\$39,850** / year
- G.  There are seven people in our household and the total yearly household income is:  
 above **\$68,150** / year  
 below **\$68,150** / year  
 below **\$42,600** / year
- H.  There are eight people in our household and the total yearly household income is:  
 above **\$72,550** / year  
 below **\$72,550** / year  
 below **\$45,350** / year

I certify that, after reviewing the definition of annual income, the information provided is correct and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

Please sign or initial, your response will not be considered valid for documenting without signature or initial.

\_\_\_\_\_  
Resident's Signature (or initials)

\_\_\_\_\_  
Address

\_\_\_\_\_  
Date

**Note:** For proper documentation, the individual should either be asked to sign the form, or local officials can have the person initial the form and the preparer code it by number so that the information is capable of being verified at a later date.

**The income limit figures inserted above are only an example. Be sure and insert the correct, current income limits for your county and be sure and consult with CDD staff before launching the survey in your community.**

Delete this note from your survey form.

**Exhibit B – Option 3**  
**HOUSEHOLD INCOME SURVEY FORMAT FOR AREA WIDE CDBG**  
**PROJECTS – RECORDING ACTUAL INCOME**

The total number of all persons in the household is \_\_\_\_\_

Gross Household Income includes the combined income of all persons 18 years old and over in the household, whether related or not, taking into consideration the following definition:

Income includes:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
2. The net income from operation of a business or profession or from rental or real or personal property (this includes gross receipts minus operating expenses received from the operation of a farm or ranch);
3. Interest and dividends;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay;
6. Public assistance;
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and
8. All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse.

**My (our) total gross household income for 20XX was \$** \_\_\_\_\_

(Please print clearly)

Survey # \_\_\_\_\_

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

I certify that the income information I have provided is true and accurate to the best of my knowledge and belief. I agree to provide income verification if requested by state and local officials.

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_



**Exhibit C**  
**MODEL SURVEY COVER LETTER FOR AREA WIDE CDBG PROJECTS**

(Copy on letterhead)

DATE

Dear [Citizen/Ratepayer]:

The City/Town/County is applying to the Montana Department of Commerce for a Community Development Block Grant (CDBG) [on behalf of \_\_\_\_\_] for a grant to assist with [\_\_\_\_\_]. The CDBG Program is a very competitive program and we must make every effort to maximize our ranking score. Part of the application process is an income survey of our users to determine our eligibility for CDBG funds and our need for this grant.

I am enclosing a copy of this survey form and an addressed, stamped envelope in which to return this form. It will only take a moment to complete. Please know that all forms will be kept strictly confidential. Only percentage information and no names will be included in the grant application. No one else will have access to the personal information provided.

If you can return it in the next few days, it will be greatly appreciated as we need to proceed with the grant as quickly as possible. The CDBG application will be due \_\_\_\_\_. Thank you for your cooperation on this matter; your support and help will help make our project a reality.

Sincerely,