

MEMORANDUM

DATE: May 11, 2022

TO: Housing, Redevelopment & Community Programs (HRCP)

FROM: Karen Gasvoda, Kendra Lisum, Emily Harris-Shears, Aubrey Godbey, Community Development division

RE: Program Year 2022 Unified Application recommendations

Community Development (CD) staff members, along with two representatives from City Council have reviewed **twelve** applications from nonprofit organizations for Community Development Block Grant (CDBG) assistance, HOME Investment Partnerships Program (HOME), and Affordable Housing Trust Fund (AHTF) assistance. Requested amounts for AHTF and HOME exceeded the Trust Fund's allocation, and the anticipated allocations from the Department of Housing and Urban Development (HUD).

CD staff members recommend and ask the Mayor and Missoula City Council to approve awarding funds to **six projects**, as well as CDBG and HOME administration and planning funding.

The Federal Fiscal Year (FFY) 2022 allocations for CDBG and HOME have not been announced, but available funding amounts have been estimated based on last year's allocation, program income, and funds remaining from PY21.

HUD mandates caps on funding for certain activities as a percentage of the annual CDBG allocation:

- 20% maximum for CDBG Administration and Planning activities (estimated at \$114,000 for 2022).

In addition to the FFY2022 HOME allocation, CD staff **has** \$883,961 in program income and prior year HOME funds. This brings the total amount of HOME funds to \$937,961.

Please note that – based on HUD regulations – prior year funds and program income **may not** be used to increase the amount to be spent on Administration and Planning.

HUD mandates caps on funding for certain HOME activities as a percentage of the annual allocation, including:

- 10% maximum to be spent on Administration and Planning activities (estimated at \$36,000 for 2022);
- 10% maximum of total CHDO set-aside (detailed below) to be spent on Predevelopment Loans for Community Housing Development Organizations; and
- 5% maximum to be spent on Operating Assistance for Community Housing Development Organizations [CHDO] (estimated at **\$18**,000 for 2022).

2022 Unified Application Funding Recommendations

Additionally, HUD mandates that at least 15% of the annual HOME allocation support Community Housing Development Organizations (CHDOs) that own, sponsor, or develop affordable housing. For informational purposes, the City of Missoula has two certified CHDOs, one of which – Homeword – applied for funding for the 2022 Program Year.

In addition to the FFY2022 CDBG allocation, CD staff has \$588,592 in program income and prior year CDBG funds. This brings the total amount of CDBG funds to \$1,070,643.

APPLICATION SCORING CRITERIA

Ranking criteria for the funds including the following criteria:

- Project Design
- Demonstrated Knowledge of Community Need
- Impact & Outcomes
- Innovation

CD staff shared this scoring criteria with applicants at the January 10, 2022, Unified Application Workshop. CD staff also provided technical assistance through one-on-one meetings and phone calls with applicants to offer guidance and feedback on both their pre-applications and final applications.

FUNDING RECOMMENDATIONS

The Scoring Committee reviewed all applications and assigned them scores based on their alignment with the scoring criteria. CD staff took the average of all the scores and then ranked them from highest to lowest. The Committee reviewed these results and decided to fully fund the projects based on ranking and demonstrated need for subsidy (as applicable) until anticipated funding was exhausted. Projects are listed in each category in order of funding amounts below.

AHTF Award Recommendations:

Total funded: \$355,000

1. NMCDC – Wolf St - \$340,000

- Purchase land under two apartment buildings and adjacent house for conversion to CLT or housing co-op

2. Homeword – Homeownership Center Programs - \$15,000

- Financial and housing education and counseling programs

HOME/CDBG Applications:

CDBG Total Funded: \$324,000

HOME Total Funded: \$854,821

2022 Unified Application Funding Recommendations

3. Up to 5% of HOME entitlement funds can be used for CHDO operating expenses \$19,050
 - Homeword CHDO –Community Housing Development Organization Operating Expenses to cover additional hours associated with the Trinity project, CHDO requirements and the recertification process, an additional small homes project, and for project development and organizational resources support
4. NMCDC – Burlington Street - \$324,000 (CDBG)
 - Purchase land under 1 home and 2 adjacent lots for conversion to CLT
5. Homeword – Trinity - \$360,000 (HOME)
 - Trinity is a 202-unit affordable housing development. Requesting additional funds to cover costs.
6. Blue Line – Villagio - \$475,771 (HOME)
 - The project is a 200-unit affordable housing development. Requesting funds for payment of deferred permit and impact fees.

Administration and Planning

1. **City of Missoula Community Development division, CDBG award, estimated \$112,615 and HOME award, estimated \$36,545** to support the administration, planning and management of the CDBG and HOME programs; provide technical assistance to subrecipients; support community planning efforts; ensure compliance with federal regulations; and other duties; up to the maximum percentage allowed by federal regulations.

Copies of all PY22 applications are available electronically.

FUNDING CONTINGENCY PLANS

If the 2022 CDBG disbursement is greater than anticipated for any reason: for every dollar received above the anticipated amount, 20% will be directed to Administration and Planning and no more than 15% will be directed to Public Services. CDBG projects included in this Action Plan that did not receive the full amount requested – and that have demonstrated the need for the full amount requested – will have their funding amounts increased with the highest ranking project’s funding being increased up until it reaches the full amount requested or it reaches the 15% public services cap (as applicable), whichever comes first. Once the highest ranking project’s funding has been increased to the maximum extent allowable, the second-highest ranking project’s funding will be increased following the same process. This same process will apply if additional prior year CDBG resources become available beyond that which is anticipated by CD, subject to HUD expenditure cap limits. If there is additional Program Income it will be first be allocated to the highest ranking project to the maximum extent allowable and then the second-highest ranking project’s funding will be increased following the same process.

If the 2022 HOME disbursement is greater than anticipated for any reason: for every dollar received above that which was anticipated in this Action Plan, 10% will go to Administration and Planning and the remainder will go to the highest-ranking HOME project. This same process will apply if additional prior year HOME resources become available beyond that which is anticipated by CD, subject to HUD expenditure cap limits. If there is additional Program Income it will be first be allocated to the highest ranking project to the maximum extent allowable and then the second-highest ranking project’s funding will be increased following the same process.

If the 2022 CDBG and/or HOME disbursements are less than anticipated: Project funding will be reduced beginning with the lowest-ranked project in both the CDBG and HOME categories. The lowest ranked project will be reduced by the entire amount of the difference in total funding allocation until it reaches \$0 and then the second-lowest project will be reduced in the same way. This process will continue until the actual allocation equals the aggregate amount of funding awarded.

No matter the amount of actual allocations/disbursements, the City of Missoula will comply with all federally-mandated expenditure limits detailed above.

Furthermore, any HOME project funding changes may be subject to additional underwriting and subsidy layering to be performed by the City of Missoula, prior to the commitment of HOME funds.

The City of Missoula may make necessary adjustments to project funding amounts based on all applicable federal requirements.