

CITY OF GREAT FALLS

Planning & Community Development Department
CDBG & HOME Programs

Policies and Procedures Manual

February 2022



City of Great Falls
Planning & Community Development
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INTRODUCTION

The City of Great Falls administers two main sources of federal funding through its Planning & Community Development Department (PCD): the Community Development Block Grant Program (CDBG) and the Home Investment Partnership Program (HOME). These two programs are used to support activities which primarily benefit low and moderate income households.

This manual sets forth policies and procedures for the administration of programs and projects funded by the City of Great Falls CDBG and HOME programs. Although some portions of these procedures are complicated and involve complex federal regulations and policies, this manual summarizes the essential elements for program implementation and administration.

No handbook can address every type of administrative/accounting problem or situation that may arise during the course of the contract year; therefore the City's PCD staff is available to respond to requests for clarification or additional information.

In the event that new procedures or policies are implemented during the contract period, PCD staff will provide timely notification and technical assistance.

This manual is neither intended to be all inclusive nor so restrictive that it cannot be amended.

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I. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS

A. CDBG NATIONAL OBJECTIVES AND ELIGIBLE ACTIVITY CATEGORIES

The primary objective of Title I of the Housing and Community Development Act of 1974, as amended, is the development of viable communities by the provision of decent housing and a suitable living environment, and the expansion of economic opportunities, principally for persons of low and moderate income. The City of Great Falls (City) receives an annual federal entitlement of Community Development Block Grant (CDBG) funds from the Department of Housing and Urban Development (HUD) to implement the Act locally.

CDBG funds are used to achieve the following national objectives:

1. To benefit low and moderate income persons
2. To prevent or eliminate slums or blight
3. To meet community development needs which have a particular urgency

By federal regulation, CDBG funds may be utilized for general programs and public services or development projects in accordance with the following categories of activities:

- | | |
|----------------------------------|----------------------------------|
| ▶ Acquisition of Real Property | ▶ New Housing Construction |
| ▶ Disposition | ▶ Code Enforcement |
| ▶ Public Facilities/Improvements | ▶ Special Economic Development |
| ▶ Clearance | ▶ Microenterprise Assistance |
| ▶ Public Services | ▶ Special Activities by CBDOs |
| ▶ Interim Assistance | ▶ Home Ownership |
| ▶ Relocation | ▶ Planning and Capacity Building |
| ▶ Loss of Rental Income | ▶ Program Administration Costs |
| ▶ Privately-Owned Utilities | ▶ Miscellaneous Other Activities |
| ▶ Housing Rehabilitation | |

B. SUBRECIPIENTS AND COMMUNITY-BASED DEVELOPMENT ORGANIZATIONS

To achieve the national objectives, the City allocates CDBG funds on an application basis each year. A **subrecipient** is a public or private nonprofit agency, authority or organization that receives CDBG funds from the City to undertake eligible activities. A subrecipient may also be referred to as a **grantee**.

A **Community-Based Development Organization** (CBDO) is also a subrecipient, but only a CBDO is specifically authorized to carry out new construction of housing. Typically a CBDO carries out neighborhood

revitalization activities, community economic development programs or energy conservation projects.

Unless otherwise noted, the term “subrecipient” will be used throughout this manual to denote all entities receiving CDBG funds.

II. HOME INVESTMENT PARTERSHIPS PROGRAM

A. HOME OBJECTIVES

The National Affordable Housing Act of 1990 created the Home Investment Partnerships (HOME) Program. This federal program is designed to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to housing, for very low income and low-income families. The City receives an annual federal entitlement of HOME funds from HUD to implement the Act locally.

HOME funds are used to achieve the following objectives:

1. To provide decent affordable housing to lower-income households
2. To expand the capacity of non-profit housing providers
3. To strengthen the ability of state and local governments to provide housing
4. To leverage private sector participation

Eligible activities are defined in accordance with the following categories:

- ▶ Housing rehabilitation
- ▶ Homebuyer activities
- ▶ Rental housing activities
- ▶ Tenant-based rental assistance

B. SUBRECIPIENTS AND COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS

HOME funds are allocated annually on an application basis to entities proposing programs or projects that address the stated HOME objectives. A subrecipient is a public agency or non-profit organization selected by the City to carry out all or a portion of the City’s HOME program.

A **Developer**, **Owner**, or **Sponsor** may be any for-profit or nonprofit organization or individual (other than a single family owner-occupant) seeking HOME funds for an eligible activity.

A **Community Housing Development Organization** (CHDO) is a private nonprofit organization that has among its purposes the provision of decent

housing that is affordable to low- and moderate income persons as evidenced in its charter, articles of incorporation, resolutions, or by-laws. A CHDO may apply for funding in the capacity of a Developer, Owner, or Sponsor, but only CHDOs may apply for a HUD mandated set-aside percentage of local HOME funds (see **Exhibit 1**).

Unless otherwise noted, the term “subrecipient” will also be used throughout this manual to denote all entities receiving HOME funds.

III. APPLICATIONS FOR FUNDING

All organizations requesting HUD-allocated CDBG or HOME funds from the City Planning & Community Development Department (PCD) must submit an application which provides information concerning the organization, its corporate and financial structure and a specific proposal for a program or project (see **Exhibit 2**).

CDBG and HOME applications are received and reviewed by the Municipal Grant Committee which make recommendations to the City Commission. The City Commission approves or denies each request and allocates the available funds accordingly. Unprogrammed funds recaptured from projects that are cancelled or completed at less cost than expected are generally either moved into the next funding round or utilized for limited unforeseen costs associated with projects under contract.

A. ANNUAL PRIORITIES/NEEDS ASSESSMENT PROCESS TIMELINE

Through community participation, annual priorities are identified to focus the annual CDBG Grant Funding. The overall process is extremely time-sensitive and certain steps must be accomplished in a specific order. The timing and sequence of activities is particularly important in regards to meeting timing requirements for City Commission meetings and to effectively address citizen participation. The timing sequence is determined based on when the Action Plan must be submitted to HUD and how this date fits within the City Commission schedules. When public hearings are held is also crucial to determining the overall timing sequence. The citizen participation process and application process is identified in the Citizen Participation Plan (**Exhibit 3**).

B. COMMUNITY DEVELOPMENT BLOCK GRANT APPLICATION

Applications will be scored by the Grant Committee using the following criteria:

1. National Objectives and Local Goals

Organizations requesting CDBG funds must identify the national objective which its program or project will address and must also certify that those activities either benefit low and moderate income persons or aid in the prevention or elimination of slums or blight.

Organizations requesting CDBG funds must also identify which of the priorities and goals delineated in the current Consolidated Plan its program or project will address.

2. Scope of Services

The applicant must submit a clear and concise narrative description of the proposed program or project that includes quantifiable goals and objectives, methods of approach and an implementation schedule.

3. Project Ranking Criteria for CDBG requests (Exhibit 4)

- a. Project Description (10 points)
- b. Need for the project and CDBG Funds (45 points):
 - 1) How will it meet the identified needs outlined in the Annual Action Plan? (15 points)
 - 2) Show the number of individuals to benefit from this project. (15 points)
 - 3) Are you addressing one of the higher priority needs from the Annual Action Plan? (5 points)
 - 4) How did you assess the need in the community? (10 points)
- c. Project Management (15 points):
- d. Readiness to Proceed (15 points)
- e. Project Budget (10 points):
- f. Partnership/Collaboration (5 points)

4. Required Enclosures

- a. Organizational Structure:
All applicants must submit qualifying information detailing the organizational and management structure of the entity requesting assistance. Such information includes:
 - 1) Documentation of tax exemption/non-profit status
 - 2) Articles of incorporation and by-laws

- 3) Identification of members of Board of Directors
 - 4) Data Universal Numbering System (DUNS) number, SAM number, and contractor registration number
- b. Financial Management Capacity:
The applicant must submit the following information related to its fiscal management capacity:
- 1) Most recent audit
 - 2) IRS 990
 - 3) Balance sheet as of December 31 of previous year
 - 4) Profit and loss statement for the 12 months ended December 31 of previous year or most recent fiscal year
- c. Construction Planning Checklist:
- 1) Proposed bid process (small or formal)
 - 2) Displacement or relocation of individuals
 - 3) Zoning
 - 4) 8½" x 11" floor plan provided
 - 5) Historic preservation
 - 6) Asbestos and lead-based paint issues
 - 7) Licensing for plumbers, electricians and contractors
 - 8) Davis-Bacon wages
 - 9) Contingencies
 - 10) Section 3 (if over \$200,000)

5. City Eligibility Requirements

- a. Open projects must have 75% of prior year funds expended by March 31.
- b. Project must take place within city limits and either remove slum and blighted conditions or benefit low to moderate income individuals or families.
- c. CDBG funding applications for Public Facility projects will only be granted to municipal or governmental agencies.
- d. Non-profit agencies will not be funded for staff benefits, office consumables, and rent payments for agency office space or utility costs.

C. COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN FUNDS APPLICATION

The CDBG Revolving Loan Fund applications are reviewed by the City's Grant Committee. Each application will be reviewed based on the following criteria:

1. National Objectives and Local Goals

Individual homeowners applying for CDBG loan funds for single housing rehabilitation must provide documentation to certify they are LMI. Landlords applying for CDBG loan funds to rehabilitate rental housing must provide documentation showing at least 51% of their tenants have family incomes that are LMI and they must agree to future affordability requirements for the LMI tenants.

Upgrading the City's housing stock to provide and sustain safe affordable housing is one of the City's Consolidated Plan priorities.

2. Scope of Services

The improvements shall correct life safety hazards, code violations and maintenance deficiencies. In addition, systems expected to fail within two years and general improvements can be included when associated with the other qualifying items. Exorbitant aesthetic upgrades do not qualify.

3. City Eligibility Requirements

Loan applications are reviewed by the CDBG Department Staff and/or the City's Grant Committee for the following criteria:

- a. Property is located within the city limits.
- b. At least one year ownership or residency; equity in the property may replace the one year ownership requirement.
- c. Property on permanent foundation which meets City building code.
- d. Credit report may be required

4. Loan Application Evaluation

The eligibility for financing is determined upon receipt of application. Household income cannot be above HUD guidelines. Property taxes and utility bills must be current and the ownership report must be acceptable to the City. A credit report is considered.

- a. All federal regulations such as lead-based paint and historical requirements must be met for a loan to be processed.
- b. The City's Grant Committee will review applications, unless it is an emergency, and make final recommendation to create a loan. The Committee will ensure the City does not loan an amount above the property's value after rehabilitation (80% of value is desirable).
- c. All emergency loan requests require review of 2 senior members of management in Planning and Community Development.

D. HOME INVESTMENT PARTNERSHIPS PROGRAM APPLICATION

Applications will be ranked by the City's Grant Committee using the following criteria:

1. National Objectives and Local Goals

Organizations requesting HOME funds must identify the specific type of program or project for which it is requesting funding. The applicant must also certify that those activities meet the HOME national objectives and that they benefit low and moderate income persons. Applicants must also indicate if they are CHDOs and if they are requesting CHDO funds.

Organizations requesting HOME funds must also identify which of the priorities and goals identified in the current Consolidated Plan its program or project will address.

2. Scope of Services

The applicant must submit a clear and concise narrative description of the proposed program or project which includes quantifiable goals and objectives, methods of approach and a project development schedule.

3. Project Ranking Criteria (Exhibit 4)

- a. Project Description (10 points)
- b. Need for the project and HOME Funds (30 points):
 - 1) How will it meet the identified needs outlined in the Annual Action Plan? (15 points)
 - 2) Show the number of individuals to benefit from this project. (10 points)
 - 3) How did you assess the need in the community? (5 points)
- c. Project Management (15 points):

- 1) Demonstrated experience working with HOME funds. (10 points)
 - 2) Clearly explain your plan for implementation and how you will ensure eligibility. (10 points)
 - 3) Proven history/experience with construction/development management. (5 points)
- d. Readiness to Proceed (15 points)
 - e. Project Budget (15 points):
 - f. Partnership/Collaboration (5 points)
4. City Eligibility Requirements
- a. Unless applying for more HOME funds for previous project during one year eligible time frame, previous HOME projects should be completed.
 - b. Project must take place within the city limits.

IV. CONTRACTURAL AGREEMENTS

Prior to the release of CDBG or HOME funds from the City, a written agreement must be executed with the grantee or subrecipient. The agreement remains in effect during any period that the subrecipient is operating a program, implementing a project, or during the period of affordability in which the CDBG or HOME funds are being invested.

A. TYPES OF AGREEMENTS

The PCD executes a CDBG agreement with the grantees/subrecipients of grant funds for each project undertaken. The agreements contain all the CDBG regulations and requirements pertaining to the type of project to be undertaken. Additionally, the agreements contain the requirements of the City. Generally, the agreements are effective from July 1 through June 30 or one City program year. Extensions are granted for reasonable cause, but the City endeavors to meet the “timeliness” spending mandate of the CDBG program. Recapture of CDBG grant funds is included in the agreements up to five years for public service agreements and 15 years for construction agreements.

HOME agreements with subrecipients of HOME funds are executed with each project that receives funding and have a deed restriction placed upon them by the City at completion to assure HOME affordability requirements are met.

Notes are placed on homeowner mortgages by the subrecipient to assure HOME affordability requirements are met.

B. AGREEMENT PROCESS

The CDBG/HOME department staff drafts CDBG and HOME funding agreements. The agreement is emailed to each subrecipient for review and signature including other city departments. When the agreement is signed and returned to PCD, it is placed on the City Commission contracts list for approval at the next City Commission meeting. The original copy of the agreement is given to the City Clerk with a copy provided for the PCD CDBG/HOME grant file and a copy mailed or emailed to the subrecipient.

V. FISCAL MANAGEMENT

Please see the City of Great Falls Federal Grant Financial Policy for full details.

A. CITY BUDGET DEVELOPMENT PROCESS

The City Commission has final authority for budget development in the City. The City Charter requires the City Manager to prepare and present the budget to the City Commission. The budget is prepared by the Budget Office under the direction of the City Manager. The City Commission approves the annual city budget following much review and a public hearing. CDBG and HOME budgets for program administration and activity priorities are part of the PCD budget.

1. The HUD CDBG administration budget shall not exceed 20% of the annual grant amount plus the amount of subrecipient program income. The City CDBG administration budget includes:
 - a. Fixed charges consisting primarily of wages and benefits for a pro rata percentage of the hours worked by the assistant Director of the PCD and the Community Grant Specialist (wages for the City rehabilitation specialist and Fair Housing Specialist are included in the City CDBG administration budget but are not included in the 20% CDBG administration cap; the funding comes from CDBG activity funds).
 - b. Pro rata portion of internal service charges to the department.
 - c. PCD requested discretionary funds to cover the cost of carrying out the requirements of operating the CDBG program including advertising, office supplies, operating supplies, motor fuels,

equipment, staff training, subscription to publications and professional services.

2. The City HOME administration budget shall not exceed 10% of the annual grant amount. The City reserves the 10% administration expenditure for its use. The City HOME administration budget includes:
 - a. Fixed charges consisting primarily of wages and benefits for a pro rata percentage of the hours worked by the department staff
 - b. Pro rata portion of internal service charges to the department
 - c. PCD requested discretionary funds to cover the cost of carrying out the requirements of operating the HOME program including advertising, operating supplies and staff training

3. The CDBG and HOME activity funds including program income received by the city annually are budgeted as:
 - a. Professional services - Loan to citizen homeowners or landlords from the City CDBG housing revolving loan funds.
 - b. Institution Grants –CDBG grants to non-profit organization subrecipients to provide services open to the general public from annual CDBG grant funds.
 - c. Public Improvements– City infrastructure improvements from annual CDBG grant funds.
 - d. Institution Grants - Housing and development HOME grants for new construction or rehabilitation of affordable housing units and direct benefit to citizens such as down payment assistance.
 - 1) Neighborhood Housing Services, Inc., (NHS), dba NeighborWorks Great Falls, is the city’s only designated Community Housing Development Organization (CHDO) and as such receives at least 15% of each annual HOME grant to the city.
 - 2) NHS is allowed to keep its HOME program income, recaptured HOME funds and CHDO proceeds for appropriate uses determined by HUD regulations and City policy.

B. SUBRECIPIENT BUDGET DEVELOPMENT

1. Construction Projects

The cost categories associated with this budget type pertain to expenses identified with the financing, management and construction of City and non-profit affordable housing projects, public facility and infrastructure projects and economic development projects.

- a. Site acquisition - normal cost associated with acquisition of raw land

- b. Closing costs - fees, points, interest, or other costs to finance acquisition or construction
- c. Architecture and engineering - normal fees and costs for professional design services to prepare plans and specifications
- d. Site work - costs normally associated with preliminary site construction work: grading, underground utilities, soils report and environmental remediation
- e. Fees and permits - costs for design review, building, planning or other required permits
- f. Construction management - consultant or other costs to provide construction management services
- g. Construction contracts - all fees included in primary and subcontractors contracts
- h. Consultants - all consultant fees including environmental testing or other specialty consultants
- i. Administration - costs for administration from program income only by the NHS and the Great Falls Development Authority (revolving loan funds for economic development)

2. Public Service Projects

The cost categories associated with this budget type pertain to expenses identified with the provision of public services primarily by non-profit organizations to Great Falls citizens having low to moderate incomes.

- a. Scholarships – all costs to LMI clients for services such as childcare or financial counseling
- b. Materials, equipment – all costs for materials and equipment used to provide services or benefit to LMI clients
- c. Supplies – all costs for consumables and supplies to provide direct benefit to LMI persons such as food for senior and disabled meals program

3. Loans

The cost categories associated with this budget type pertain to expenses identified with the provision of loans included in a revolving loan portfolio.

- a. Single family and multi-family housing rehabilitation loans
- b. Down payment assistance loans
- c. Business loans for creation of jobs for citizens from LMI households

C. SUBRECIPIENT FINANCIAL REQUIREMENTS

1. The Subrecipient will provide the City with the following documents (if applicable) before any funds are disbursed:
 - a. Signed Community Development Block Grant Agreement
 - b. Subrecipient's Articles of Incorporation
 - c. Subrecipient's tax exempt status certification
 - d. Subrecipient's by-laws or other such operational information
 - e. Project plans and specifications
 - f. Bidding/contract documents
 - g. Any other pertinent information which the PCD staff requests
 - h. Any grantee lease agreements

2. Determining Allowable Costs for Subrecipients. The standards for determining the reasonableness and compliance of costs submitted by subrecipients for CDBG-financed activities are found in 2 CFR Part 200. If there is a contract with the City that does allow for salaries to be paid, the following procedures will be followed to determine if the salaries being paid are reasonable.
 - a. Each subrecipient that will be seeking CDBG funds for salary purposes is required to provide a written description of duties to be completed by each employee that directly relate to the CDBG funded activity as well as the proposed salary of the employee.
 - b. Additionally, the subrecipient will provide the City with at least three (3) comparable positions that exist within the community that most closely match the position salary requested for funding. In addition to identifying the comparable positions and agencies, the subrecipient shall note the duties and pay scales for the comparable positions.
 - c. The City will evaluate the information that the subrecipient provides and determine the appropriate pay range that will be allowed for each position. The pay range will be determined based on the comparable pay scales within the community that the subrecipient provides as well as any comparable pay scales independently evaluated by the City.
 - d. While the subrecipient may pay their employees more than what the City determines as a reasonable pay range, the City of Great Falls will only reimburse the subrecipient for salaries based on the pre-approved salary scale determined by the City. This will require the subrecipient to pay for the additional salary difference.

- e. Hourly payroll records for each employee supported with CDBG funds must be submitted for reimbursement to ensure that CDBG funds are only being paid for the hours worked on the CDBG funded activity as well as only being reimbursed at the pre-approved rate per hour.
- 3. For public service projects, the subrecipient shall comply with the requirements and standards of 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards as applicable.
- 4. For construction and housing projects, the subrecipient shall comply with the requirements and standards of 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

D. REPORTING AND PAYMENT PROCEDURES

1. Payment Procedures

The City will pay to the contractor funds available under the contract based upon information submitted by the grant subrecipient and consistent with any approved budget and department policy concerning payments. Payments will be made for eligible expenses actually incurred by the subrecipient and not to exceed actual cash requirements. In addition, the City reserves the right to liquidate funds available under the contract for costs incurred by PCD on behalf of the sub-recipient.

2. Progress Reports

The subrecipient shall submit regular progress reports to the City in the form, content and frequency as required by the City.

3. Limitation of Expenditures

- a. The subrecipient shall not expend funds provided under the contract prior to the commencement of the contract or subsequent to the suspension or termination of the contract.
- b. Expenditures shall be made in conformance with the approved budget and shall meet the criteria established for allowable costs.
- c. Expenditures shall be in direct support of the project which is the subject of the contract.

4. Eligible Costs

To be eligible for payment, costs must be in compliance with 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and with the principles set forth below. Costs must:

- a. Be necessary and reasonable for the proper and efficient performance of the contract and in accordance with the approved budget; the City shall have final authority to determine in good faith whether an expenditure is "necessary and reasonable".
- b. Conform to the limitations within this manual and to any governing statutes, regulations and ordinances.
- c. Be fully documented and determined in accordance with approved accounting procedures.
- d. Not be included as a cost or used to meet cost sharing or matching requirements of any other funding source in either the current or a prior period.
- e. Be the net amount of all applicable credits such as purchase documents, rebates, sales or other income or refunds.
- f. Be documented, i.e. verify all costs by maintaining complete and accurate records of all financial transactions, including but not limited to: contracts, invoices, cash receipts, vouchers, canceled checks, bank statements and/or other official documentation evidencing in proper detail the nature and propriety of all charges.
- g. Be submitted to HUD or the City at such times and in such forms as HUD or the City may require including statements, records, reports, data, and information pertaining to matters covered by the agreement or contract.

VI. SUBRECIPIENT DOCUMENTATION AND RECORD KEEPING

A. CDBG SUBRECIPIENT DOCUMENTATION AND RECORD KEEPING

1. The subrecipient will maintain all records required by the Federal regulation specified in 24 CFR Part 570.506 which are pertinent to the activities to be funded under CDBG grants. Such records shall include but are not limited to:
 - a. Records providing a full description of each activity undertaken;

- b. Records demonstrating that each activity undertaken meets one of the national objectives of the CDBG program;
 - c. Records documenting compliance with the fair housing and equal opportunity components of the CDBG program;
 - d. Financial records as required by 24 CFR Part 570.502, and 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
 - e. Other records necessary to document compliance with Subpart K of 24 CFR Part 570.
2. The subrecipient shall retain all records pertinent to expenditures incurred under this contract for a period of five years after the termination of all activities funded.
3. The subrecipient shall maintain grant beneficiary information as requested by the City which will include client eligibility for services and client ethnicity. The grantee will provide the City all non-duplicated information required. This report is due on or before July 31 each year and will cover the period from July 1 through June 30, unless otherwise specified by the City.
4. The subrecipient will understand that client information collected under the CDBG project is private and use or disclosure of such information, when not directly connected with the administration of the City's or subrecipient's responsibilities with respect to services provided under the project, is prohibited. Client information that might be utilized for identity theft including Social Security numbers, bank account numbers and personal information shall be kept under lock and key by the Subrecipient and the City.
5. The subrecipient shall maintain real property inventory records which clearly identify properties purchased, improved or sold. Properties retained shall continue to meet eligibility criteria and shall conform to the "changes in use" restrictions specified in 24 CFR Parts 570.505, as applicable.
6. All subrecipient records with respect to any matters covered by the CDBG project shall be made available to HUD at any time during normal business hours, as often as the CPDD or HUD deems necessary, to audit, examine and make excerpts or transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by the subrecipient within 30 days after receipt by the subrecipient. Failure of the subrecipient to comply with the above audit requirements will

constitute a violation of the agreement and may result in the withholding of future payments.

7. The City will monitor the subrecipient on-site to review all subrecipient records with respect to any matters covered by the CDBG Agreement. A 15 day notice of an on-site monitoring review in accordance with 24 CFR Part 570 will be provided. On-site monitoring of the subrecipient will be conducted annually.

B. HOME SUBRECIPIENT DOCUMENTATION AND RECORD KEEPING

1. The subrecipient will maintain reasonable records of its performance under this contract and will allow access to these records at any time during normal business hours by the City and HUD. These records will be kept in the subrecipient's office. The subrecipient will maintain the following records:
 - a. Documentation of efforts to maximize private sector participation.
 - b. A full description of the program activity including program area, where investments are made and amounts of HOME funds budgeted, committed and expended.
 - c. Documentation regarding each family assisted including a copy of the income verification, ethnic background and household size.
 - d. Documentation of the procedures used to certify that the combination of federal assistance to the project is not any more than is necessary to provide affordable housing (layering) as directed by the City.
 - e. Documentation that each project meets applicable property standards.
 - f. Copies of advertisements for construction bid, the construction bid tab and the contractor's agreement, bonds and insurance.
 - g. Copies of the buy-sell agreement, appraisal, closing papers, verification of assets and deed of trust for each property sold.
2. The subrecipient will gather data to document compliance with the following:
 - a. Equal opportunity and fair housing laws, Section 3 of the *Housing Development Act*, attempts to utilize minority and female-owned businesses, and affirmative fair housing actions

- b. Affirmative marketing procedures
 - c. Relocation requirements
 - d. Resale/ restriction requirements
 - e. Lead-based paint standards
 - f. Conflict of interest provisions
 - g. Debarment and suspension checks
 - h. Flood insurance requirements
3. Other records as may be required by state or federal law: Generally, the records described above must be retained by the subrecipient for a period of five years after project closeout. The records regarding project requirements that apply for the duration of the period of affordability, as well as the written agreement and monitoring reports, must be retained for at least five years after the required period of affordability. New construction projects require record retention for 20 years. If any litigation, claim negotiation, audit or other action has been commenced before the expiration of the regular five year period, the records must be retained until completion of the action and resolution of all issues which arise from it or until the end of the regular period, whichever is later.

Access to the records described above and all other documentation relating to the program is governed by all applicable state and federal laws as they pertain to disclosure of information to the public and to the individual's right of privacy. Client information that might be utilized for identity theft including Social Security numbers, bank account numbers and personal information shall be kept under lock and key by the subrecipient.

4. The subrecipient will submit status reports on project performance and project close-out reports at the request of, and in the format prescribed by, the City. The City will monitor the subrecipient on-site to review all Grantee records with respect to any matters covered by the HOME Agreement. A 15 day notice of an on-site monitoring review in accordance with 24 CFR Part 570 will be provided. On-site monitoring of the grantee will be conducted annually.

VII. PROGRAM INCOME

The City receives and retains CDBG program income from its housing revolving loan fund. The City occasionally recaptures CDBG funds from previous non-housing projects and these funds are city program income as well. NHS is allowed to retain CDBG program income on its housing revolving loan fund. NHS in its role as a HOME CHDO of the City receives and is allowed to retain HOME program income from its housing revolving loan fund. City program income is managed in the Integrative Disbursement and Information System

(IDIS). The Great Falls Development Authority has a CDBG economic development LMI job creation revolving loan fund and is allowed to retain the program income from these loan funds.

A. CITY CDBG PROGRAM INCOME

The City's CDBG housing revolving loan funds consist primarily of program income. On occasion, CDBG grant funds from the annual allocation to the City are provided to the revolving loan funds.

1. The CPDD records the receipt and expenditure of program income as defined in 24 CFR Part 570.500(a) as part of the financial transactions of a grant.
2. Program income in the form of repayments to a revolving fund as described in 24 CFR Part 570.500(b) will be disbursed from the fund before additional cash drawdowns are requested by PCD from HUD for the same activity. The City's revolving loan funds are placed in an interest-bearing account. Any interest earned by these funds while on deposit in the account is remitted to the U.S. Treasury annually. A check for the annual interest earned during a program year will be made out to the U.S. Treasury and mailed to the City's HUD representative in Denver.

B. SUBRECIPIENT CDBG PROGRAM INCOME

1. A CDBG subrecipient allowed to keep CDBG program income earned by an activity will record the receipt and expenditure of program income as defined in 24 CFR Part 570.500(a) as part of the financial transactions of a grant.
2. PCD will allow certain subrecipients to retain CDBG program income under the following conditions:
 - a. Program income in the form of repayments to, or interest earned on, a revolving fund as described in 24 CFR Part 570.500(b) shall be:
 - 1) Disbursed from the fund before additional cash drawdowns are requested from PCD for the same activity.
 - 2) Placed in an interest-bearing account with any interest earned by these funds while on deposit in the account to be remitted to the U.S. Treasury annually.

- 3) A check for the annual interest earned during a program year, will be made given to PCD for mailing to the City's HUD representative in Denver.
- b. All other program income shall be disbursed for other eligible CDBG activities before additional cash drawdowns are requested from the PCD.
- c. Program income on hand at the time of grant closeout shall continue to be subject to all eligibility requirements in the current CDBG agreement until it is expended.
- d. If the subrecipient does not have another ongoing grant received directly from HUD at the time of closeout, income received after closeout from the disposition of real property or from loans outstanding at the time of closeout shall be used for activities that meet one of the national objectives detailed in 24 CFR Part 570.208 and shall meet all eligibility requirements.

C. SUBRECIPIENT HOME PROGRAM INCOME

The only subrecipient allowed to retain HOME program income is the city's sole CHDO, NHS. NHS will be permitted to retain the following three types of HOME program income that result from its activities. NHS must maintain HOME program income in a local interest-bearing account.

1. HOME program income from ongoing repayment of HOME loans and the recapture of home funds after the period of affordability
2. Recaptured HOME funds from net proceeds of resale of HOME assisted properties during period of affordability

HOME program income and recaptured HOME funds will be used to carry out provision of deferred mortgages for down payment and closing costs to assist low income buyers, single heads of household, disabled and handicapped to purchase existing homes which pass Housing Quality Standards. The loans will be secured with a deed restriction stating the period of affordability and recapture provisions.

3. HOME CHDO proceeds which result from the CHDO's investment of its CHDO set-aside funds

CHDO proceeds may be used to carry out activities where NHS acts as the developer and interim owner for new construction or major rehabilitation of single family homes on scattered sites. Additionally, CHDO proceeds may be used to provide subsidies in the form of deferred

mortgages for down payment and closing costs to assist low income first-time homebuyers to purchase these homes with the loans being secured with a deed restriction stating the period of affordability and recapture provisions. It is the City HOME program policy that any other use of CHDO proceeds must be approved by the PCD.

3. Interest earned on program income pending its disposition.

All types of program income must be expended on HOME eligible activities before any additional HOME funds are requested by the subrecipient. The receipt and expenditure of Program income will be treated as additional HOME funds subject to all applicable requirements. The subrecipient will comply with all applicable parts and requirements of the *National Affordable Housing Act of 1990* as amended, all requirements established by the PCD, applicable state and federal laws, regulations, administrative directives and procedures and local ordinances and resolutions. The subrecipient will utilize 100% of HOME program income funds to benefit low and very low income persons as stated in the Section 8 income eligibility standards in section 889.103 and 889.104 of the *U. S. Housing Act of 1937*.

The subrecipient will record the receipt and expenditure of program income as part of the financial transactions of the grant program. The subrecipient will provide reports regarding these transactions at the request of and in the manner requested by the PCD.

VIII. PROCUREMENT AND CONTRACTING PROCEDURES AND REQUIREMENTS

A. CDBG AND HOME GRANT SUBRECIPIENT PROCUREMENT POLICY

The subrecipient will assure that the CDBG or HOME project complies with procurement requirements. The subrecipient will provide copies of all quotes and any other construction documents as requested by the PCD. The subrecipient will procure all materials, property or services in accordance with the requirements of 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Procurement Standards. Additionally, NHS, being the City's CHDO, will follow the Neighborhood Housing Services Procurement Policies.

The City CDBG and HOME programs will require quotes on all purchases. The quotes will be reviewed by staff before approval to procure goods or services is provided. If more than one quote cannot be obtained because there are no other vendors to supply the material or service, the subrecipient must provide a statement that the vendor is the sole source and provide a detailed explanation

of why the vendor is the sole source. This statement needs to be kept in the project file procurement documentation. Procurement requirements may not be artificially divided so as to constitute small purchases and avoid quote requirements.

1. Purchases between \$0 and \$24,999 will require at least two verbal (oral) or written quotes documented and kept in the project file with information including business name, name of person providing the quote, date, time, quote amount and items to purchase.
2. Purchases of \$25,000 to the bid limit of \$79,999 as specified in Montana Code Annotated 7-5-4302 requires that a minimum of 2 written bids be solicited or an approved Cooperative Purchasing Agreement be provided from the contractor or supplier where the project scope and/or list of materials or goods to purchase is clearly identified so bidders are providing bids for comparable items.
3. Purchases in excess of \$80,000 (the bid limit as specified in Montana Code Annotated 7-5-4302) must go through the formal bid procedure. Advertising the bid in a regional newspaper twice with six days separating the advertisements is required by state law. The second publication must be not less than five days or more than 12 days before the bid opening.

B. CDBG REVOLVING LOAN SUBRECIPIENT PROCUREMENT POLICY

1. The homeowner or rental property owner solicits quotes from appropriate contractors licensed to work in Great Falls. The low bidder is generally awarded the bid. Purchases of \$25,000 to the bid limit of \$79,999 as specified in Montana Code Annotated 7-5-4302 requires that at least 2 verbal (oral) or written bids from the contractor or supplier where the list of services and materials to be procured is clearly identified so bidders are providing bids for comparable items.

C. CDBG AND HOME SUBRECIPIENT SERVICE AND CONSTRUCTION CONTRACTS

1. CDBG and HOME City subrecipient contracts for services and construction paid for with CDBG and HOME grant funds will contain HUD requirements that the subrecipient has agreed to uphold in its agreement with the City for grant funding including: Davis-Bacon Act, Section 3, Equal Employment Opportunity, performance and payment bonds, insurance and pre-construction conferences. See **Exhibit 5** for all forms related to construction contracts.

2. The City will pay the CDBG or HOME sub-recipient contractors directly for completed work unless alternative arrangements are made for payment directly to the subrecipient for reimbursement of costs.
3. Public facility and housing projects will require permitting and inspection by City code inspectors. Final payment of CDBG funds will require final code inspection and compliance with HUD requirements.
4. City staff will monitor projects for ongoing compliance with all applicable federal and state Laws, municipal ordinances and the rules and regulations of all authorities having jurisdiction over construction of the project throughout.

IX. ENVIRONMENTAL, LABOR AND MISCELLANEOUS REQUIREMENTS

A. ENVIRONMENTAL REQUIREMENTS

An Environmental Review Record is prepared for each project receiving CDBG or HOME funds. This process involves completing a variety of different federal guides, depending on the nature of the activity being undertaken. The Environmental Review Record must be completed and environmental clearance given before a subrecipient is allowed to use any funding.

Each project is classified as fitting within one of the followed categories, according to federal environmental regulations:

1. Exempt

This category includes administrative costs or contract services such as architectural surveys, engineering studies and inspections. An ERR form is prepared and no further review is needed for clearance.

2. Categorical Exclusion Not Subject to 58.5 But Subject to 58.6

This category includes activities such as supportive services, operating costs, economic development and down payment and closing costs assistance. An ERR form is prepared and no further review is needed for clearance.

3. Categorical Exclusion

This category includes rehabilitation of public utilities, buildings and residences and special handicap accessible projects. If none of the items on the ERR form is triggered, no further review is needed. If any item on the ERR form is triggered, consultation/mitigation, preparation of

additional environmental forms and public comment periods are required.

4. Environmental Assessment

Projects that do not fall into any of the above categories will likely require an environmental assessment. This process requires extensive consultation with multiple agencies, public comment periods and submission of several forms to HUD.

5. Environmental Impact Statement

Projects that adversely impact the environment require an environmental impact statement. The City does not pursue projects which require this level of environmental review.

Environmental reviews are undertaken on an ongoing basis throughout the year for any projects which have multiple year clearance, new construction or rehabilitation projects and the City's housing rehabilitation projects.

B. DAVIS-BACON ACT LABOR REQUIREMENTS

All CDBG and HOME projects which involve construction contracts of more than \$2,000 are monitored to assure compliance with Davis-Bacon Act regulations. See **Exhibit 5** for all forms related to construction requirements.

1. Pre-construction conferences are held for every public facility/ infrastructure improvement project to advise contractors and agency staff of labor requirements and to assist in project coordination.
2. The appropriate Davis-Bacon wage rate is identified and implemented on each eligible project.
3. Certified payrolls are obtained and reviewed for all applicable projects.
4. On-site employee interviews are performed on as many projects as is feasible.
5. If complaints are made against employers, these cases are referred to HUD or the Department of Labor for investigation. If wage restitution is required, the reimbursement process is followed and all required documentation is obtained.
6. Semi-Annual Labor Standards Enforcement Reports are submitted to HUD twice a year, as required.

C. MISCELLANEOUS REQUIREMENTS

The 1% Montana State Contractors tax is applied to a project involving more than \$5,000 and being done on a publicly owned building or street.

D. LEAD BASED PAINT

Lead-Based Paint requirements (24 CFR Part 35, effective 9/15/2000) and Section 401(b) of the Lead-based Paint Poisoning Prevention Act apply to federally funded acquisition, rehabilitation, maintenance and construction. Applicants for federal funding assistance, tenants and prospective purchasers of property built before 1978 must be notified of the following, before rehabilitation, purchase or rental of federally-assisted housing:

1. That the property may contain lead-based paint;
2. The hazards of lead-based paint;
3. The symptoms and treatment of lead-based paint poisoning;
4. The precautions to be taken to avoid lead-based paint poisoning (including maintenance and removal techniques for removing such hazards);
5. The advisability and availability of blood lead level screening for children under six-years old; and
6. That in the event lead-based paint is found on the property, appropriate abatement measures must be undertaken and are an eligible use of federal funds.

E. SECTION 3 RULE

Section 3 requires that recipients of certain HUD funds make economic opportunities available for low and very low-income individuals, especially recipients of government assistance for housing, living in the areas where HUD funds are spent.

Any construction contract for housing rehabilitation, housing construction, or other public construction that exceeds the \$200,000 threshold will be required to follow the regulations outlined in 24 CFR Part 75.

F. SLUM & BLIGHTED PROPERTIES

Any property that is seeking a slum & blight spot designation would be required to complete the Slum & Blighted Property Worksheet (**Exhibit 7**) before an official review and designation can be determined by Planning & Community Development. An activity seeking the use of CDBG funding for slum & blight removal/clearance will need to also have a plan for the end use of the property. CDBG funding will not be awarded for such clearance without a plan to develop affordable housing or for another public use. For more guidance on what qualifies as Slum & Blight see 24 CFR 570.483(c).

G. MAINTENANCE AND REPAIR ACTIVITIES VS REPLACEMENT

Expenses associated with

X. MONITORING

A. PURPOSE

PCD staff will conduct ongoing monitoring to review the programmatic and financial aspects of the subrecipient's activities. PCD staff will review regular reports submitted by the Subrecipient for compliance with federal regulations regarding the use of federal funds and the implementation of the program or project.

B. IN OFFICE MONITORING

The City will be responsible for managing the day-to-day operations of the CDBG and HOME programs. The City will monitor the performance of all CDBG recipients and all entities receiving HOME funds from the City by reviewing program agreements and requirements with grant recipient prior to project start, monitoring project through project completion and obtaining required documents prior to paying out full grant funds. The grant award letter will include language regarding the need for timeliness in project implementation.

C. ON-SITE MONITORING

All CDBG subrecipients may be monitored on-site, dependent on their grant experience and City communication. See **Exhibit 6** for monitoring forms. All CDBG subrecipients receiving program income which they are allowed to keep in their revolving loan funds will be monitored to assure compliance with CDBG regulations. All entities receiving CDBG and HOME funding are required to provide project updates and project completion information which includes individual and community benefit. All projects which involve construction contracts of more than \$2,000 will be monitored to assure compliance with Davis-Bacon Act regulations. Labor interviews will be conducted on-site.

D. ONGOING MONITORING

All rental housing developed with the use of HOME funds will be monitored for property standard requirements and rent restrictions in accordance with HOME requirements.