

Appendix B: Public Engagement Record

The State of Montana solicited public comment by announcing a public comment period and holding a public hearing for the 2023-2024 Annual Action Plan (AAP). Every comment received in writing and provided verbally at the hearing was considered. All comments received and the State's responses are outlined below. An official transcript of the public hearing as well as documentation showing outreach completed (tear sheets and affidavits of publication for print advertisements and proof of electronic announcement) are also attached.

Comments Received and Responses Thereto

Andrew Chanania, Principal and Founder, North Fork Development

Comment #1:

July 29, 2023

Cheryl Cohen & Galen Steffens
Montana Department of Commerce
Attn: Con Plan
PO Box 200523
Helena, MT 59620-0523

RE: 2023-2024 Annual Action Plan (AAP) Public Comment

Administrators Cohen & Steffens:

The programs administered by the Montana Department of Commerce staff have an excellent track record of efficiently and effectively deploying HUD funds to successfully complete many eligible projects benefiting some of Montana's most vulnerable populations. Commerce should be commended for its accomplishments and commitment to serving all Montanans.

As a private sector practitioner who regularly utilizes CDBG, HOME, HTF, and other state and federal funding to develop workforce housing, I know the tremendous impact these programs make every day. I appreciate the state's interest in improving its delivery of funds and continual improvement. I respectfully submit the following comments in response to Commerce's request for comments regarding the 2023-2024 Annual Action Plan (AAP).

The importance of your work cannot be overstated: affordable housing is among Montana's most pressing needs. A panel about housing issues with experts from Montana, Utah, Washington and Colorado was a key component of the May 17-18 2023 Western Prosperity Roundtable Annual Forum hosted by Governor Gianforte. This panel, moderated by Governor Gianforte, discussed tactics for addressing the region's housing affordability crisis and underscored the importance of investment in affordable housing. As Governor Gianforte said, "I really believe that attainable, affordable housing is the number one issue facing hard working Montanans today."

As demonstrated by consistently over-subscribed programs such as HOME and HTF, to deliver quality affordable housing, private sector practitioners count on these resources. In reviewing the 2023-2024 AAP, I respectfully offer a few comments pertaining to the deployment of CDBG funds in Plan Year 4 and forward allocating funds proposed in the July 25, 2023 public webinar.

List of specific observations related to the 2023-2024 AAP:

1. **2023-2024 AAP Table 6 - Goals Summary.** This shows an allocation of \$1.25 million (only 19% of the total expected Plan Year 4 CDBG allocation) to preserve and construct affordable housing.
2. **2023-2024 AAP Table 7 - Funding Allocation Priorities & Reason for Allocation Priorities.** The rationale given for distributing CDBG funds across the 5 stated goals indicates the priorities were largely set through the 2020-2024 Con Plan Needs Assessment and Market Analysis and past experience. Today's pressing affordable housing crisis was unforeseen when the 2020-2024 Con Plan was being adopted and past experience in Montana has not prepared us for today's housing problem.
3. **2023-2024 AAP Distribution Methods CDBG Affordable Housing Development and Rehabilitation.** This section indicates that per-project restrictions on available CDBG funds will be set in the forthcoming Application Guidelines and identifies proposed ranking criteria.

Ideas to improve metrics and further address Montana's affordable housing needs:

1. **Rebalance allocation of CDBG funds - increase CDBG Housing funding commensurate with current needs.** The 2022-2023 CAPER appears to indicate that no new affordable multifamily rental housing projects were funded this past program year, and not all of the goals related to the deployment of CDBG funds were met. As proposed in the 2023-2024 AAP, CDBG housing preservation and construction projects will be allocated only 19% of the available CDBG funds. Rebalancing the CDBG allocation of funds so the allocation of scant resources is more in line with current needs will effectively utilize available funding to help more Montanans. Such action would be in line with the Governor's statement that the lack of affordable housing is the state's number one issue. In these circumstances, increasing the allocation of CDBG resources dedicated to affordable housing would increase the likelihood partner organizations will apply for these funds to address the state's current needs.
2. **Eliminate the predetermined per-project Housing Development and Rehabilitation investment limit.** As noted, the Method of Distribution section suggests that a restricted amount of per-project CDBG Housing assistance will be adopted in the forthcoming Application Guidelines. Because today's economics are vastly different from even a few years ago, it makes sense to eliminate the prescribed per-project limit on CDBG Housing Development and Rehabilitation resources. The HOME program took this step a few years ago and has seen increased usage as a result. This will make it feasible for larger multi-family housing projects to incorporate CDBG Housing funds into their budget, which will greatly improve the anticipated outcome metric. As proposed in the 2023-2024 AAP, the anticipated outcome measure of 18 households (8 rental units and approx. 10 LMI persons) benefiting from \$1.25 million means the State expects to spend \$69,500 per household. It would be more cost effective if a single, large project uses \$1.25 million. With a 60-unit project, this same amount of funds would benefit many more Montanans at a rate of \$21,800 per household. Instead of a per-project maximum, the State

could accomplish more by using the same underwriting and subsidy layering method the HOME and HTF programs use to determine an appropriate amount of CDBG funds to invest in projects rather than a predetermined maximum investment.

Furthermore, there have been significant minimum wage increases for construction contracts covered by state and federal prevailing wage requirements. Not only has a much higher federal minimum wage been established through Executive Order 14026, but Montana's state prevailing wage requirements are far, far higher than the federal minimums. Although housing projects do not typically trigger state or federal wage requirements, CDBG funding does, making CDBG dollars go less far. Moreover, when combined with CDBG funding project budgets reliant on subsidies such as Housing Credits, low-interest loans, and similar programs will not have sufficient resources to pay these dramatically higher labor costs.

Allocating additional CDBG resources to housing projects based on their financial need and effectiveness in meeting unachieved housing objectives rather than establishing an arbitrary per-project limit will encourage the use of this resource to assist a far greater number of Montanans every year.

3. Forward Allocation of Funds. During the July 25, 2023 Annual Action Plan webinar, the notion of forward allocating HOME and HTF funds was proposed. This concept deserves strong support and should be adopted because it will allow more worthy projects to receive necessary funding and likely improve expenditure ratios given the time it takes from award to place a project in service. Additionally, the Department should consider forward allocating CDBG funds in a similar fashion; this can be expected to improve HUD's CDBG expenditure ratio.

4. Method of Distribution CDBG Housing Development and Rehabilitation. This section identifies the proposed ranking criteria and point system the state will use to make funding decisions. These 6 criteria are very similar to the HOME and HTF application criteria, much as these three programs are very similar in their federal requirements. Yet there are significant differences in application format, questions, and requirements. This presents an opportunity to streamline the CDBG Housing Development and Rehabilitation application forms and format to better align these application requirements with other sources of funding administered by the Department of Commerce. Making the CDBG application similar to, if not the same as, the HOME and HTF application guidelines will reduce administrative burdens and streamline program delivery, making the program more user friendly and appealing to developers and local government partners.

Again, I appreciate this opportunity to submit comments and commend the Commerce's work in this field. I respectfully request consideration of these recommendations as a means of even better achieving goals in this most important concern for Montanans.

Sincerely,

Andrew Chanania
North Fork Development
Principal and Founder

[Response to Comment #1:](#)

Thank you for your comment on the 2023-2024 Annual Action Plan. Commerce's responses are numbered to correspond with the individual topics.

1. **Rebalance allocation of CDBG funds - increase CDBG Housing funding commensurate with current needs.** Montana's annual CAPER presents accomplishments for projects completed during the previous program year; it does not report the amount of funds awarded to specific projects. During the current Consolidated Plan period, the 2020 AAP allocated \$795,535 for affordable housing and \$450,000 to addressing homelessness; the 2021 AAP allocated \$750,000 and \$450,000 to affordable housing and addressing homelessness, respectively; the 2022 AAP allocated \$1 million and \$750,000 to those respective categories; and Commerce now proposes to allocate \$1.25 million and \$500,000 to affordable housing and addressing homelessness. This demonstrates an upward trend in the planned allocations to meet the increase in housing costs and demand for affordable homes for Montanans. During that same period, Commerce has moved funds between categories to meet demands as follows: awarded over \$1.4 million in 2020 funds toward affordable housing projects and \$250,000 to address homelessness; awarded \$250,000 and \$350,000 in 2021 funds to affordable housing and addressing homelessness; awarded Commerce awarded; and awarded \$1.75 million and \$150,000 in 2022 funds. Again, this documents an upward trend in funds being awarded to address affordable housing needs. As applications for specific project types fluctuate from year to year, Commerce has the ability to re-allocate CDBG funds from one program area to another. In this 2023 AAP, Commerce proposes an increase in the amount of funds it can shift between program areas from 15% to 25%. This will improve Commerce's flexibility in meeting community demands for CDBG-eligible projects.
2. **Eliminate the predetermined per-project Housing Development and Rehabilitation investment limit.** During this Consolidated Plan period, Commerce has increased the application limit for both Housing and Community and Public Facilities from \$450,000 to \$750,000 per project. Because there are limited resources available for the types of projects that CDBG funds can be used for, it is a priority for Commerce to distribute these funds fairly across the different programs and to as many communities as possible. Eliminating the per project investment limit for CDBG Housing projects would negatively impact Commerce's ability to fund other eligible CDBG programs.
3. **Forward Allocation of Funds.** During the timeframe of the 2020-2024 Consolidated Plan, the number of applications Commerce receives each plan year for projects that will utilize CDBG funds to preserve and construct affordable housing has not exceeded the resources available for the program. Should this change and sufficient demand for CDBG funds indicates a need to forward allocate funds for housing projects, Commerce will consider this as it has for the HOME and HTF programs. Housing staff will consider forward allocating HOME and HTF during its fall 2023 application round. If sufficient high-quality, feasible project are proposed, Commerce will consider making tentative awards with 2024 funds. Those tentative awards would be pending Congressional action, HUD's approval of Montana's 2023 AAP, and awardees meeting HOME and HTF program requirements for commitment of funds, as outlined in 24 CFR 92.2 and 24 CFR 93.2, respectively.
4. **Method of Distribution CDBG Housing Development and Rehabilitation.** The application guidelines for each of Commerce's federal funding programs are updated each year. There are opportunities to better align the CDBG Housing application guidelines with that of the HOME and HTF programs, and Housing staff will take this into consideration with the next update. As

Housing staff completes one new program and launches two more, staff will be able to more thoroughly revise the CDBG, HOME and HTF applications in preparation for state-required CDBG Administrative Rule Making. Commerce staff is also working to create a new CDBG Grant Administration Manual that aims to streamline the tools available for grant administration and create continuity across all CDBG programs. The completion date for this manual update is expected in 2024.

Tyson O'Connell, Principal, United Housing Partners

Comment #2:

To whom it may concern,

My name is Tyson O'Connell. I'm the founder of United Housing Partners LLC, a development company in Missoula that focuses on developing affordable housing in Montana.

Increasing the supply of homes Montanans can afford is critical right now, and this issue has reached the highest level of Montana's government.

At the May 17-18, 2023 Western Prosperity Roundtable Annual Forum a panel was assembled by the Western Governor's Association and included experts from Montana, Utah, Washington and Colorado. This panel, moderated by Governor Gianforte, discussed tactics for addressing the region's housing affordability crisis and underscored the importance of investment in affordable housing. As Governor Gianforte said, "I really believe that attainable, affordable housing is the number one issue facing hard working Montanans today."

With this great need in mind, I support the previous decision to reduce the CDBG-ED pool of funds and increase the housing pool of funds and I respectfully submit the following comments regarding the 2022-23 CAPER:

Please increase the CDBG per project cap to \$1,000,000 per project, and please also consider forward allocation of CDBG funds if necessary to meet this cap.

- a. This will help communities use this program to account for Davis Bacon requirements, increasing construction and management costs, higher interest rate increases and credit tightening.
- b. This will improve the expenditure ratio performance by increasing the per-project maximum for multifamily rental new construction and rehab to \$1,000,000 .
- c. HOME funds previously had a \$750,000 cap per project that was eliminated several years ago and that has worked well to aid affordable housing projects fill funding gaps.

Thank you for considering my comments and for supporting affordable housing.

Response to Comment #2:

Thank you for your input on the 2023-2024 Annual Action Plan. Data from previous plan years indicates that the amount of funding directed toward preservation and development of affordable housing has been increasing and is sufficient, as outlined in the above response, item 1. Data also indicates that

there are more requests for funds in other CDBG program areas than there is funding available. Should there be a need for additional funds for housing projects, Commerce proposes the ability to re-allocate up to 25% of CDBG funds from another program.

Donald Sterhan, President & CEO, Mountain Plains Equity Group, Inc.

Comment #3:

July 31, 2023

Cheryl Cohen & Galen Steffens
Montana Department of Commerce
Attn: Con Plan
PO Box 200523
Helena, MT 59620-0523

Administrators Cohen & Steffens:

The many programs administered by the Montana Department of Commerce staff have an excellent track record of efficiently and effectively deploying HUD funds to successfully complete many eligible projects benefiting some of Montana's most vulnerable populations while creating safe, quality affordable housing. Commerce should be commended for all of its accomplishments and its commitment to serving all Montanans.

As an affordable housing developer that has regularly utilized the HOME, HTF, and other state and federal funding to develop affordable housing, I know the impact these funds have in allowing projects to come to fruition and I appreciate the state's interest in improving its delivery of these critical resources. As demonstrated by consistently over-subscribed programs such as HOME and HTF, to deliver quality affordable housing in Montana, developers count on these limited resources.

In reviewing the 2023-2024 AAP, I respectfully offer a few comments pertaining to the deployment of CDBG funds in Plan Year 4 and forward allocating funds proposed in the July 25, 2023 public webinar.

Ideas to improve metrics and further address Montana's affordable housing needs:

1. Increase CDBG Housing funding to meet current needs.

As proposed in the 2023-2024 AAP, CDBG housing preservation and construction projects will be allocated only 19% of the available CDBG funds. Increasing the allocation of CDBG funds for housing will more effectively utilize available funding to help house more Montanans. Such a course of action would be in line with Governor Gianforte's statement that the lack of affordable housing is the state's number one issue. Simply enough, increasing the allocation of CDBG funds dedicated to affordable housing would assist in addressing the state's current needs.

2. Remove the predetermined per-project Housing Development and Rehabilitation investment limit.

The Method of Distribution section suggests that a restricted amount of per-project CDBG Housing assistance will be adopted in the forthcoming Application Guidelines. Today's economics are vastly different from even a few short years ago, therefore, the prescribed per-project limit on CDBG Housing Development and Rehabilitation resources should be eliminated. The HOME program took this step a few years ago and has seen increased usage as a result. This will make it feasible for larger multi-family housing projects to incorporate CDBG Housing funds into their budget, which will greatly improve their financial feasibility. Instead of a per-project maximum, the State could accomplish more by using the same underwriting and subsidy layering method the HOME and HTF programs use to determine an appropriate amount of CDBG funds to invest in projects rather than a predetermined maximum investment.

Allocating additional CDBG resources to housing projects based on their financial need and effectiveness in meeting unachieved housing objectives, rather than establishing an arbitrary per-project limit will allow developers to use this resource to assist a far greater number of Montanans every year.

3. Forward Allocation of Funds.

During the July 25, 2023, Annual Action Plan webinar, the notion of forward allocating HOME and HTF funds was proposed. I strongly support this concept and believe it should be adopted because it will allow more needed projects to receive necessary funding to move forward.

4. Method of Distribution CDBG Housing Development and Rehabilitation.

This section identifies the proposed ranking criteria and point system the state will use to make funding decisions. These 6 criteria are very similar to the HOME and HTF application criteria, while these criteria are all similar, there are significant differences in application format and requirements. There is an opportunity to streamline the CDBG Housing Development and Rehabilitation application forms and format to better align these application requirements with other sources of funding administered by the Department of Commerce. It will make applying for CDBG housing funds easier and more appealing to developers and local government partners.

I truly appreciate this opportunity to provide some feedback and comments to the 2023-2024 AAP. I look forward to continuing to work together to help address the affordable housing crisis in our state.

Sincerely,
Mountain Plains Equity Group, Inc.
Donald J. Sterhan
President & CEO

[Response to Comment #3:](#)

Thank you for your comment on the 2023-2024 Annual Action Plan. Please refer to the response to Comment #1.