

# Memorandum



TO: Economic Transformation, Stabilization & Workforce Development Advisory Commission  
FROM: Cheryl Cohen, Housing Division Administrator, Commerce  
DATE: March 14, 2022  
SUBJECT: ARPA Housing Programs Update

## ARPA GAP FINANCING

- Contracts for all eleven (11) ARPA Gap Financing awards executed with January 1, 2022 effective date.
- To implement the Coronavirus State Fiscal Recovery Fund established under ARPA, the U.S. Department of the Treasury issued its Interim Final Rule on May 17, 2021. Based on the Interim Final Rule, the state of Montana, and many others in the affordable housing community, concluded that ARPA funds could be granted to non-profit entities for purposes of loaning the funds to affordable housing projects, and when granted or loaned, the funds would be considered “spent” for purposes of the December 31, 2026 expenditure deadline.
- On January 14, 2022, Treasury released its Final Rule effective April 1, 2022. The Final Rule requires recipients of ARPA funds to return any funds that are not obligated for eligible uses under the Final Rule by December 31, 2024 or expended for eligible uses by December 31, 2026. The Final Rule specifically enumerates development of affordable housing as an eligible use of ARPA funds. However, in the Final Rule commentary, Treasury clarified that neither the grant of ARPA funds to a non-profit entity to make loans for an eligible use nor the eventual loans themselves will be considered a final expenditure for purposes of the December 31, 2026 expenditure deadline.
- Commerce engaged outside legal counsel in close collaboration with Commerce legal and the budget office, to draft amendments to the ARPA Gap Financing contracts executed to address the issues presented in the Final Rule. These amendments were made available to the 11 project developers in early March and they are reviewing the amendment language with their legal counsels and investors. The primary challenges stem from threading the needle between Internal Revenue Service (IRS) requirements for Housing Credit projects and associated investor interests, within the parameters of the ARPA Final Rule.
- The development team for two projects, Highland Manor in Hill County and Spruce Grove in Yellowstone & Carbon, requested Commerce shift \$450,000 from the original \$859,517 Highland Manor award to the Spruce Grove project. This shift will enable both projects to move forward and maintains the \$2 million maximum award per project.
- HOME and HTF awards were made for seven (7) projects.

Housing Type	Construction Type	County	Units	Gap Funding Requested	Gap Financing Revised	Additional HOME Award	Additional HTF Award
Family	Acq/Rehab	Big Horn	43	\$1,580,483	\$1,580,483		
Senior	Acq/Rehab	Deer Lodge	74	500,000			500,000
Family	Adaptive Re-Use	Fergus	16	380,000		380,000	
Family	New	Flathead	38	280,000	280,000		
Family	Acq/Rehab	Hill	60	250,000			250,000
Family	Acq/Rehab	Hill	32	832,000	<b>\$409,517</b>		541,696
Family	New	Lake	24	210,000	210,000		
Family	Acq/Rehab	Lewis & Clark	44	400,000			400,000
Family, PSH	New	Missoula	200	2,500,000	2,000,000		
Family	New	Missoula	202	2,500,000	2,000,000		
Family	Adaptive Re-use	Park	37	520,000	520,000		
Family	New & Adaptive Re-use	Yellowstone	29	2,500,000	2,000,000		
Family	New	Yellowstone	19	2,000,000	2,000,000		
Family	New	Yellowstone	38	2,000,000	2,000,000	889,704	
Senior	Acq/Rehab	Yellowstone & Carbon	62	1,550,000	<b>2,000,000</b>		
Total	15 projects		918 units	\$18,002,483 requested	\$15,000,000 awarded	\$1,269,704 awarded	\$1,691,696 awarded

### EMERGENCY RENTAL ASSISTANCE (ERA)

- \$46.67 million awarded (nearly \$300k from ERA2 launched January 14, 2022)
  - Approx. \$7,300 average assistance per household
- 13,645 complete applications submitted (2,897 continued assistance)
  - 8,426 approved (2,069 continued assistance) – 62 percent
  - 1,209 under review – 9 percent
  - 2,913 ineligible / duplicates – 21 percent
  - 1,092 potentially fraudulent rejected – 8 percent
  - 5 potentially fraudulent under review - <1 percent
- National Equity Atlas has a rent debt in America map that includes county and state level data, based on December 29 – January 10 Census Household Pulse Survey. [Rent Debt Dashboard | National Equity Atlas \[nationalequityatlas.org\]](#). This survey estimates 11,000 households in Montana are behind on rent with total rent debt of \$24.2 million – all data being estimates. Montana’s estimated rent debt is one of the lowest in the country, with only Idaho, South Dakota, North Dakota, Wyoming and Vermont having lower estimated rent debt.
- A new marketing campaign to include radio and social media, highlighting the expanded program eligibility under ERA2, will be deployed in the coming weeks.

- Utility assistance increased from maximum \$300 per month total to up to \$500 per month per eligible utility. This increase was needed due to rising home energy costs and in particular to support eligible households who need assistance with both electricity and propane.
- Eviction Prevention & Diversion Program contract with Montana Legal Services Association executed February 1, 2022.
- Department of Public Health and Human Services has executed contracts with Human Resource Development Councils to provide Housing Stability Services.

## HOME-ARP

Commerce staff have participated in numerous HOME-ARP trainings hosted by the U.S. Department of Housing and Urban Development (HUD). HUD continues to release new HOME-ARP guidance, including specific organizations and stakeholders that we must consult, and requirements for gathering data on housing and service needs and gaps throughout the state. HUD representatives suggested that states should move with haste but not too hastily with regards to the HOME-ARP program. The HOME-ARP expenditure deadline runs through 2030.

Given the updated consultation and data requirements and recommendations from HUD, Commerce is proposing an extension to the HOME-ARP timeline. This extension will ensure recommendations on use of funds presented to the Commission are data-driven and reflective of a wide range of stakeholder input.

### Timeline / Proposed Timeline from October 27, 2021 presentation:

September 20	HUD obligated state of Montana HOME-ARP funds and provided grant agreement for execution
September 24	Commerce executed HOME-ARP grant agreement and submitted to HUD. Up to 5 percent of total award (\$572,988) will be available for administrative and planning costs
October 27	Present program overview to Advisory Commission
November 1	Initiate 90-day consultation period with Continuum of Care, organization and agencies providing services to qualified populations, ARPA internal work group, and elected officials
February 2022	Based on consultation feedback, Montana Housing develops recommendations on use of funds in coordination with ARPA internal work group and Executive branch
March 2022	Present summary of consultation results and recommendation on use of funds to Advisory Commission. Initiate 30-day public comment period
April 2022	Develop HUD-required Allocation Plan and release for minimum HUD-required 15-day comment period
May 2022	Submit final Allocation Plan to HUD for approval

**Proposed Timeline – Revised:**

May 2022	Based on consultation feedback, Montana Housing develops recommendations on use of funds in coordination with ARPA internal work group and Executive branch
June 2022	Present summary of consultation results and recommendation on use of funds to Advisory Commission. Initiate 30-day public comment period
July 2022	Develop HUD-required Allocation Plan and release for minimum HUD-required 15-day comment period
August 2022	Submit final Allocation Plan to HUD for approval

**HOMEOWNER ASSISTANCE FUND (HAF)**

- Pilot Program for Montana Board of Housing borrowers:
  - 174 HAF Pilot Program applications mailed to Montana Board of Housing borrowers on January 3, 2022.
  - As of March 8, 2022, 27 complete applications received from borrowers. Over \$264k obligated for HAF Pilot Program reinstatement loans with nearly \$264k paid.
  
- Interim Report:
  - HAF Interim Report submitted to the U.S. Department of the Treasury for period between Award Date through January 31, 2022 on March 1, 2022 (due March 3, 2022).
  
- HAF Statewide Program development:
  - Business requirements gathering and workflow nearly complete
  - Development to begin March 14, 2022 with first demo scheduled March 23, 2022
  - Commerce staff will conduct user acceptance testing Thursday – Friday each week
  - Working toward target go-live mid-May 2022.

This is a final copy of the memo.