SECTION V.
Specific Program Requirements, 91.320 (k)

This section discusses the program specific requirements for the four block grant programs covered under the 2012 Action Plan: CDBG, HOME, ESG and HOPWA.

CDBG Requirements, 91.320 (k)(1)

All activities, which are eligible for federal CDBG funding under Section 105 of the Federal Housing and Community Development Act of 1974, as, amended (Federal Act), are eligible for funding under the Indiana Office of Community and Rural Affairs' (OCRA) FY2012 CDBG program. A complete description of the FY2012 CDBG Method of Distribution for OCRA is included in Appendix D and IHCDA's Solution Allocation Process is included in Appendix F.

Method of distribution. The OCRA reserves the right to prioritize its method of funding; the OCRA prefers to expend federal CDBG funds on activities/projects which will produce tangible results for principally low and moderate income persons in Indiana. Funding decisions will be made using criteria and rating systems, which are used for the State's programs and are subject to the availability of funds. It shall be the policy under the state program to give priority to using CDBG funds to pay for actual project costs and not to local administrative costs. The State of Indiana certifies that not less than seventy-percent (70 percent) of FY2012 CDBG funds will be expended for activities principally benefiting low and moderate income persons, as prescribed by 24 CFR 570.484, et. seq.

Section 108 Loan Guarantee Program. The State of Indiana pledges future CDBG allocations as security for loans in accordance with the HUD Section 108 Loan Guarantee Program Final Rule published November 6, 1991. Applications may be submitted at any time during the year, as long as funds are available from HUD. The minimum loan amount is $1,000,000 and the maximum loan amount is $7,000,000, pursuant to 24 CFR 570.705(a)(ii). The state may enter into loan guarantee agreements in support of projects sponsored by an individual local government. Project must meet minimum criteria with respect to equity, collateral and underwriting standards. The CDBG Loan Guarantee Program (Section 108 Program) is an economic and community development financing tool authorized under Section 108 of Title I of the Housing and Community Development Act of 1974, as amended. The program provides a method of assisting non-entitlement local governments with certain unique and large-scale economic development projects that cannot proceed without the loan guarantee. In order to be eligible a project must meet all applicable CDBG requirements and result in significant employment opportunities and/or benefits for low- and moderate-income persons. Unlike the traditional CDBG Program, the Section 108 Program does not operate through assistance from the Office of Community and Rural Affairs (OCRA) or Indiana Housing and Community Development Authority. Rather, funds are raised through OCRA's "Pledge of Grants" to the U.S. Department of Housing and Urban Development (HUD) in order to obtain a federal guarantee of notes issued by the local government. The federally guaranteed notes are sold into private markets through public offerings conducted by HUD. By approving the project, a State pledges its future CDBG

funds as the ultimate repayment source should a Section 108 loan default. The State's participation in the Section 108 program does not involve a pledge of Indiana's full faith and credit nor does it commit any funding to the local government. HUD makes the ultimate approval or denial of the federal guarantee.

CDBG housing. OCRA has contracted with IHCDA to administer funds allocated to the State's Housing Program. IHCDA will act as the administrative agent on behalf of OCRA. IHCDA will implement the following activities in conjunction with administration of the CDBG grant for housing-related activities.

STATE OF INDIANA

STATE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM (CFDA: 14-228)

INDIANA OFFICE OF COMMUNITY AND RURAL AFFAIRS

FY 2012 PROGRAM DESIGN AND METHOD OF DISTRIBUTION

GENERAL BACKGROUND INFORMATION AND NATIONAL CDBG OBJECTIVES

The State of Indiana, through the Indiana Office of Community and Rural Affairs, assumed administrative responsibility for Indiana's Small Cities Community Development Block Grant (CDBG) Program in 1982, under the auspices of the U.S. Department of Housing and Urban Development (HUD). In accordance with 570.485(a) and 24 CFR Part 91, the State must submit a Consolidated Plan to HUD by May 15th of each year following an appropriate citizen participation process pursuant to 24 CFR Part 91.325, which prescribes the State's Consolidated Plan process as well as the proposed method of distribution of CDBG funds for 2012. **The State of Indiana's anticipated allocation of federal Community Development Block Grant (CDBG) funds for FY 2012 is $27,107,784.**

This document applies to all federal Small Cities CDBG funds allocated by HUD to the State of Indiana, through its Office of Community and Rural Affairs.

The primary objective of Indiana's Small Cities CDBG Program is to assist in the development and re-development of viable Indiana communities by using CDBG funds to provide a suitable living environment and expand economic opportunities, principally for low and moderate income persons.

Indiana's program will place emphasis on making Indiana communities a better place in which to reside, work, and recreate. Primary attention will be given to activities, which promote long term community development and create an environment conducive to new or expanded employment opportunities for low and moderate income persons.

The Office of Community and Rural Affairs will pursue this goal of **investing CDBG wisely** and all applicable strategic priorities by distributing CDBG funds in a manner, which promotes exploration of all alternative resources (financial and personal) when making funding decisions respective to applications for CDBG funding.

PROGRAM AMENDMENTS

The Indiana Office of Community and Rural Affairs reserves the right to transfer up to ten percent (10%) of each fiscal year's available allocation of CDBG funds (i.e. FY 2012 as well as prior-years' reversions balances) between the programs described herein in order to optimize the use and timeliness of distribution and expenditure of CDBG funds, without formal amendment of this Consolidated Plan.

The Office of Community and Rural Affairs will provide citizens and general units of local government with reasonable notice of, and opportunity to comment on, any substantial change proposed to be made in the use of FY 2012 CDBG as well as reversions and residual available balances of prior-years' CDBG funds. "Substantial Change" shall mean the movement between programs of more than ten percent (10%) of the total allocation for a given fiscal year's CDBG funding allocation, or a major modification to programs described herein. The Office of Community and Rural Affairs, in consultation with the Indianapolis office of the US Department of Housing and Urban Development (HUD), will determine those actions, which may constitute a "substantial change".

The State (OCRA) will formally amend its FY 2012 Consolidated Plan if the Office of Community and Rural Affairs' **Method of Distribution for FY 2012 and prior-years funds** prescribed herein are to be significantly changed. The OCRA will determine the necessary changes, prepare the proposed amendment, provide the public and units of general local government with reasonable notice and opportunity to comment on the proposed amendment, consider the comments received, and make the amended FY 2012 Consolidated Plan available to the public at the time it is submitted to HUD. In addition, the Office of Community and Rural Affairs will submit to HUD the amended Consolidated Plan before the Department implements any changes embodied in such program amendment.

ELIGIBLE ACTIVITIES/FUNDABILITY

All activities, which are eligible for federal CDBG funding under Section 105 of the Federal Housing and Community Development Act of 1974, as, amended (Federal Act), are eligible for funding under the Indiana Office of Community and Rural Affairs' FY 2012 CDBG program. However, the Indiana Office of Community and Rural Affairs reserves the right to prioritize its method of funding; the Office of Community and Rural Affairs prefers to expend federal CDBG funds on activities/projects which will produce tangible results for principally low and moderate income persons in Indiana. Funding decisions will be made using criteria and rating systems, which are used for the State's programs and are subject to the availability of funds. It shall be the policy under the state program to give priority to using CDBG funds to pay for actual project costs and not to local administrative costs. **The State of Indiana certifies that not less than seventy-percent (70%) of FY 2012 CDBG funds will be expended for activities principally benefiting low and moderate income persons, as prescribed by 24 CFR 570.484, et. seq.**

ELIGIBLE APPLICANTS

1. All Indiana counties, cities and incorporated towns which do not receive CDBG entitlement funding directly from HUD or are not located in an "urban county" or other area eligible for "entitlement" funding from HUD.

2. All Indian tribes meeting the criteria set forth in Section 102 (a)(17) of the Federal Act.

In order to be eligible for CDBG funding, applicants may not be suspended from participation in the HUD-funded CDBG Programs or the Indiana Office of Community and Rural Affairs due to findings/irregularities with previous CDBG grants or other reasons. In addition, applicants may be suspended from participation in the state CDBG-funded projects administered by the Indiana Housing & Community Development Authority (IHCDA), such funds being subcontracted to the IHCDA by the Office of Community and Rural Affairs.

Further, in order to be eligible for CDBG funding, applicants may not have overdue reports, overdue responses to monitoring issues, or overdue grant closeout documents for projects funded by either the Office of Community and Rural Affairs or IHCDA projects funded using state

CDBG funds allocated to the IHCDA by the Office of Community and Rural Affairs. All applicants for CDBG funding must fully expend all CDBG Program Income as defined in 24 CFR 570.489(e) prior to, or as a part of the proposed CDBG-assisted project, in order to be eligible for further CDBG funding from the State.

Other specific eligibility criteria are outlined in **General Selection Criteria** provided herein.

FY 2012 FUND DISTRIBUTION

Sources of Funds:

FY 2012 CDBG Allocation	$27,107,784
CDBG Program Income	$0
Total:	$27,107,784

Uses of Funds:

1. Community Focus Fund (CFF)	$15,378,970
2. Housing Programs	$3,415,581
3. Community Economic Development Fund	$1,200,000
4. Flexible Funding Program	$900,000
5. Stellar Communities Program	$3,000,000
6. Planning Fund	$1,300,000
7. Main Street Revitalization Program	$1,000,000
8. Technical Assistance	$271,077
9. Administration	$642,156
Total:	$27,107,784

(a) The State of Indiana (Office of Community and Rural Affairs) does not project receipt of any CDBG program income for the period covered by this FY 2012 Consolidated Plan. In the event the Office of Community and Rural Affairs receives such CDBG Program Income, such moneys will be placed in the Community Focus Fund for the purpose of making additional competitive grants under that program. Reversions of other years' funding will be placed in the Community Focus Fund for the specific year of funding reverted. The State will allocate and expend all CDBG Program Income funds received prior to drawing additional CDBG funds from the US Treasury. However, the following exceptions shall apply:

1. This prior-use policy shall not apply to housing-related grants made to applicants by the Indiana Housing & Community Development Authority (IHCDA), a separate agency, using CDBG funds allocated to the IHCDA by the Office of Community and Rural Affairs.

2. Program income generated by CDBG grants awarded by the Office of Community and Rural Affairs (State) using FY 2012 CDBG funds must be returned to the Office of Community and Rural Affairs, however, such amounts of less than $25,000 per calendar year shall be excluded from the definition of CDBG Program Income pursuant to 24 CFR 570.489.

All obligations of CDBG program income to projects/activities require prior approval by the Office of Community and Rural Affairs. This includes use of program income as matching funds for CDBG-funded grants from the IHCDA. Applicable parties should contact the Office of the Indiana Office of Community and Rural Affairs at (317) 232-8333 for application instructions and documents for use of program income prior to obligation of such funds.

Local Governments that have been inactive in using their program income are required to return their program income to the State. The State will use program income reports submitted by local governments and/or other information obtained from local governments to determine if they have been active or inactive in using their program income. Local governments that have an obligated/approved application to use their program income to fund at least one project in the

previous 24 months will be considered active. Local governments that have not obtained approval for a project to utilize their program income for 24 months will be considered inactive.

Furthermore, U.S. Department of Treasury regulations require that CDBG program income cash balances on hand be expended on any active CDBG grant being administered by a grantee before additional federal CDBG funds are requested from the Office of Community and Rural Affairs. These US Treasury regulations apply to projects funded both by IHCDA and the Office of Community and Rural Affairs. Eligible applicants with CDBG program income should strive to close out all active grant projects presently being administered before seeking additional CDBG assistance from the Office of Community and Rural Affairs or IHCDA.

Eligible applicants with CDBG program income should contact the Office of Community and Rural Affairs at (317) 232-8333 for clarification before submitting an application for CDBG financial assistance.

METHOD OF DISTRIBUTION

The choice of activities on which the State (Office of Community and Rural Affairs) CDBG funds are expended represents a determination by Office of Community and Rural Affairs and eligible units of general local government, developed in accordance with the Department's CDBG program design and procedures prescribed herein. The eligible activities enumerated in the following Method of Distribution are eligible CDBG activities as provided for under Section 105(a) of the Federal Act, as amended.

All projects/activities funded by the State (Office of Community and Rural Affairs) will be made on a basis which addresses one (1) of the three (3) national objectives of the Small Cities CDBG Program as prescribed under Section 104(b)(3) of the Federal Act and 24 CFR 570.483 of implementing regulations promulgated by HUD. CDBG funds will be distributed according to the following Method of Distribution (program descriptions):

A. Community Focus Fund (CFF): $15,378,970

The Office of Community and Rural Affairs will award community Focus Fund (CFF) grants to eligible applicants to assist Indiana communities in the areas of public facilities, and various other eligible community development needs/projects. Applications for funding, which are applicable to local economic development and/or job-related training projects, should be pursued under the Office of Community and Rural Affairs' Community Economic Development Fund (CEDF). Projects eligible for consideration under the CEDF program under this Method of Distribution shall generally not be eligible for consideration under the CFF Program. Eligible activities include applicable activities listed under Section 105(a) of the Federal Act. Eligible Community Focus Fund (CFF) projects have been allocated funding in alignment with the Goals and Priorities listed in Section IV and include:

1.	Infrastructure improvements (water, sewer, storm water)	$11,678,970
2.	Emergency Services projects (fire trucks, fire stations, ems stations)	$1,500,000
3.	Other public facilities (i.e., senior centers, health centers, libraries)	$1,500,000
4.	Historic preservation projects	$500,000
5.	Brownfield/Clearance projects	$200,000

Applications will be accepted and awards will be made on a competitive basis one (1) time per year.

The specific threshold criteria and basis for project point awards for CFF grant awards are provided in Attachment D hereto. The Community Focus Fund (CFF) Program shall have a maximum grant amount of $500,000 for water, sewer and storm drainage projects, $150,000 for fire trucks and $400,000 for all other projects. The applicant may apply for only one project in a grant cycle.

Projects will be funded in one (1) funding cycle each year with approximately a six (6) month pre-application and final-application process. Projects will compete for CFF funding and be judged

and ranked according to a standard rating system (Attachment D). The highest ranking projects from each category will be funded to the extent of funding available for each specific CFF funding cycle/round. The Office of Community and Rural Affairs will provide eligible applicants with adequate notice of deadlines for submission of CFF proposal (pre-application) and full applications. Specific threshold criteria and point awards are explained in Attachments C, D and E to this Consolidated Plan.

For the CFF Program specifically, the amount of CDBG funds granted will be based on a $5,000 cost per project beneficiary.

B. Housing Program: $3,415,581

The State (Office of Community and Rural Affairs) has contracted with the Indiana Housing & Community Development Authority (IHCDA) to administer funds allocated to the State's Housing Program. The Indiana Housing & Community Development Authority will act as the administrative agent on behalf of the Indiana Office of Community and Rural Affairs. Please refer to the Indiana Housing & Community Development Authority's portion of this FY 2012 Consolidated Plan for the method of distribution of such subcontracted CDBG funds from the Office of Community and Rural Affairs to the IHCDA.

C. Community Economic Development Fund/Program: $1,200,000

The Community Economic Development Fund (CEDF) will be available through the Indiana Office of Community and Rural Affairs. This fund will provide funding for various eligible economic development activities pursuant to 24 CFR 507.203. The Office of Community and Rural Affairs will give priority for CEDF-IDIP funding to construction of off-site and on-site infrastructure projects in support of low and moderate income employment opportunities.

Eligible CEDF activities will include any eligible activity under 24 CFR 570.203, to include the following:

1. Construction of infrastructure (public and private) in support of economic development projects;
2. Loans or grants by applicants for the purchase of manufacturing equipment;
3. Loans or grants by applicants for the purchase of real property and structures (includes vacant structures);
4. Loans or grants by applicants for the rehabilitation of facilities (vacant or occupied);
5. Loans or grants by applicants for the purchase and installation of pollution control equipment;
6. Loans or grants by applicants for the mitigation of environmental problems via capital asset purchases.

The following criteria will be considered when reviewing projects/applications:

1. The importance of the project to Indiana's economic development goals;
2. The number and quality of new jobs to be created;
3. The economic needs of the affected community;
4. The economic feasibility of the project and the financial need of the affected for-profit firm, or not-for-profit corporation; the availability of private resources;
5. The level of private sector investment in the project.

The review process by the Office of Community and Rural Affairs is based on the criteria above, in consultation with the Indiana Economic Development Corporation as necessary. Grant applications will be accepted and awards made until funding is no longer available. The intent of the program is to provide necessary public improvements or capital equipment for an economic development project to encourage the creation of new jobs. In some instances, the Office of Community and Rural Affairs may determine that the needed facilities/improvements may also benefit the project area as a whole (i.e. certain water, sewer, and other public facilities

improvements), in which case the applicant will be required to also meet the "area basis" criteria for funding under the Federal Act.

1. Beneficiaries and Job Creation/Retention Assessment:

The assistance must be reasonable in relation to the expected number of jobs to be created or retained by the benefiting business(es) within 18 months following the date of grant award. Before CDBG assistance will be provided for such an activity, the applicant unit of general local government must develop an assessment, which identifies the businesses located or expected to locate in the area to be served by the improvement. The assessment must include for each identified business a projection of the number of jobs to be created or retained as a result of the assistance.

2. Public Benefit Standards:

The Office of Community and Rural Affairs will conform to the provisions of 24 CFR 570.482(f) for purposes of determining standards for public benefit and meeting the national objective of low and moderate income job creation or retention will be all jobs created or retained as a result of the public improvement or financial assistance by the business(es) identified in the job creation/retention assessment in 1 above. The investment of CDBG funds in any economic development project shall not exceed the maximum allowable per job in accordance with 24 CFR 570.209 and 24 CFR 570.208(a)(4)(vi)(F); at least fifty-one percent (51%) of all such jobs, during the project period, shall be given to low and moderate income persons.

Projects will be evaluated on the amount of private investment to be made, the number of jobs for low and moderate income persons to be created or retained, the cost of the public improvement or financial assistance to be provided, the ability of the community (and, if appropriate, the assisted company) to contribute to the costs of the project, and the relative economic distress of the community. Actual grant amounts are negotiated on a case by case basis and the amount of assistance will be dependent upon the number of new full-time permanent jobs to be created and other factors described above. Construction and other temporary jobs may not be included. Part-time jobs are ineligible in the calculating equivalents. Grants made on the basis of job retention will require documentation that the jobs will be lost without such CDBG assistance and a minimum of fifty-one percent (51%) of the beneficiaries are of low and moderate income.

Pursuant to Section 105(e)(2) of the Federal Act as amended, and 24 CFR 570.209 of related HUD regulations, CDBG-CEDF funds allocated for direct grants or loans to for-profit enterprises must meet the following tests, (1) project costs must be reasonable, (2) to the extent practicable, reasonable financial support has been committed for project activities from non-federal sources prior to disbursement of federal CDBG funds, (3) any grant amounts provided for project activities do not substantially reduce the amount of non-federal financial support for the project, (4) project activities are determined to be financially feasible, (5) project-related return on investment are determined to be reasonable under current market conditions, and, (6) disbursement of CDBG funds on the project will be on an appropriate level relative to other sources and amounts of project funding.

A need (financial gap), which is not directly available through other means of private financing, should be documented in order to qualify for such assistance; the Office of Community and Rural Affairs will verify this need (financial gap) based upon historical and/or pro-forma projected financial information provided by the for-profit company to be assisted. Applications for loans based upon job retention must document that such jobs would be lost without CDBG assistance and a minimum of fifty-one percent (51%) of beneficiaries are of low-and-moderate income, or the recipient for-profit entity agrees that for all new hires, at least 51% of such employment opportunities will be given to persons of low and moderate income. All such job retention/hiring performance must be documented by the applicant/grantee, and the OCRA reserves the right to track job levels for an additional two (2) years after administrative closeout.

D. The Flexible Funding Program: $900,000

The Office of Community and Rural Affairs recognizes that communities may be faced with important local concerns that require project support that does not fit within the parameters of its existing CDBG programs, but are nonetheless deserving of program funding.

The Flexible Funding Program is designed to provide funding for projects that are deemed a priority by the State but do not meet the timeframes of existing programs.

These activities must be eligible for funding under a national objective of the Federal Act and requirements of 24 CFR 570.208 and 24 CFR 570.483 of applicable HUD regulations.

The community must demonstrate that the situation requires immediate attention (i.e., that participation in CFF program would not be a feasible funding alternative or poses an immediate or imminent threat to the health or welfare of the community) and that the situation is not the result of negligence on the part of the community. Communities must be able to demonstrate that reasonable efforts have been made to provide or obtain financing from other resources and that such effort where unsuccessful, unwieldy or inadequate. Alternatively, communities must be able to demonstrate that an opportunity to complete a project of significant importance to the community would be lost if required to adhere to the timetables of competitive programs. Additionally, projects will be evaluated using the scoring criteria set forth in Attachment D.

E. Stellar Communities Pilot Program: $ 3,000,000

The State of Indiana will to set aside $3,000,000 of its FY 2012 CDBG funds for the Stellar Communities Program. Indiana's Stellar Communities Program is a collaborative effort of the Office of Community and Rural Affairs (OCRA), the Indiana Housing and Community Development Authority (IHCDA), and the Indiana Department of Transportation (INDOT). The Stellar Communities Program is seeking to engage two communities to achieve a three-year revitalization strategy that will leverage unified state investment and funding from the partnering agencies to complete projects comprehensively. In the revitalization strategy communities will identify areas of interest and types of projects, produce a schedule to complete projects, produce cost estimates, identify local match amounts, sources, and additional funding resources, indicate the level of community impact, and describe the significance each project will have on the overall comprehensive revitalization of the community. From this revitalization strategy, communities will produce a three-year community investment plan which will identify capital and quality of life projects to be completed during that period.

The IHCDA has committed approximately $15,000,000 to this pilot program. The INDOT has committed up to $6,000,000 to this pilot program.

Evaluation and selection of the final two communities to pilot the Stellar Communities Program will be based on:

- Summary of Comprehensive Community Revitalization Strategy
- Identify at least one project to be completed in each of the 3 program years. The total number of projects is solely limited to the community's ability to successfully complete the projects;
- Identify/document project cost estimates, local match amounts and sources, and additional funding resources.
- Completion of the site visit checklist from the resource team.
- Document and support the level of need for each project and the significance of each project in the overall revitalization efforts within the community;
- Capacity of the applicant to administer the funds;

- The long-term viability of the strategic community investment plan;

All projects funded by OCRA will be eligible for funding under a national objective of the Federal Act and requirements of 24 CFR 570.208 and 24 CFR 570.483 of applicable HUD regulations.

All projects funded by IHCDA with CDBG funds will be eligible for funding under a national objective of the Federal Act and requirements of 24 CFR 570.208 and 24 CFR 570.483 of applicable HUD regulations. All projects funded by IHCDA with HOME, ESG and/or HOPWA funds will meet the specific requirements set forth by those programs.

F. Planning Fund: $ 1,300,000

The State (Office of Community and Rural Affairs) will set aside $1,300,000 of its FY 2012 CDBG funds for planning-only activities, which are of a project-specific nature. The Office of Community and Rural Affairs will make planning-only grants to units of local government to carry out planning activities eligible under 24 CFR 570.205 of applicable HUD regulations. The Office of Community and Rural Affairs will award such grants on a competitive basis and grant the Office of Community and Rural Affairs will review applications monthly. The Office of Community and Rural Affairs will give priority to project-specific applications having planning activities designed to assist the applicable unit of local government in meeting its community development needs by reviewing all possible sources of funding, not simply the Office of Community and Rural Affair's Community Focus Fund or Community Economic Development Fund.

CDBG-funded planning costs will exclude final engineering and design costs related to specific activities which are eligible activities/costs under 24 CFR 570.201-204.

The specific threshold criteria and basis for project point awards for PL grant awards are provided in Attachment D hereto. The CFF Planning (PL) Program shall have a maximum grant amounts as follows:

- Environmental infrastructure studies are limited as follows:
  - $30,000 for a study on a single utility,
  - $40,000 for a study on two utilities, and
  - $50,000 for a master utility study (water, wastewater, and storm water).
- Dam or Levee System Evaluations will be limited to $50,000.
- Comprehensive plans are limited to $40,000.
- Downtown revitalization plans are limited as follows:
  - Populations over 2,000 are limited to $40,000, and
  - Populations under 2,000 are limited to $30,000
- Economic development plans are limited to $40,000.
- Public facilities plans will be limited to $15,000.
- Historic preservation plans will be limited to $15,000.

For the PL Program specifically, the amount of CDBG funds granted will be based on a $5,000 cost per project beneficiary.

G. Main Street Revitalization Program: $1,000,000

The Office of Community and Rural Affairs will award Main Street Revitalization Program (MSRP) grants to eligible applicants to assist Indiana communities with activities intended to revitalize their downtown area. Each applicant must have a designated Indiana Main Street Group and the project must be part of the Main Street Group's overall strategy.

Applications will be accepted and awards will be made on a competitive basis one (1) time per year. The specific threshold criteria and basis for project point awards for MSRP grant awards are provided in Attachment E hereto. The Main Street Revitalization Program (MSRP) shall have a maximum grant amount of $250,000.

For the MSRP Program specifically, the amount of CDBG funds granted will be based on a

$5,000 cost per project beneficiary.

H. Technical Assistance Set-aside: $271,078

Pursuant to the federal Housing and Community Development Act (Federal Act), specifically Section 106(d)(5), the State of Indiana is authorized to set aside up to one percent (1%) of its total allocation for technical assistance activities. The amount set aside for such Technical Assistance in the State's FY 2012 Consolidated Plan is $271,078, which constitutes one-percent (1%) of the State's FY 2012 CDBG allocation of $27,107,784. The State of Indiana reserves the right to set aside up to one percent (1%) of open prior-year funding amounts for the costs of providing technical assistance on an as-needed basis.

The amount set aside for the Technical Assistance Program will not be considered a planning cost as defined under Section 105(a)(12) of the Federal Act or an administrative cost as defined under Section 105(a)(13) of the Federal Act. Accordingly, such amounts set aside for Technical Assistance will not require matching funds by the State of Indiana. The Department reserves the right to transfer a portion or all of the funding set aside for Technical Assistance to another program hereunder as deemed appropriate by the Office of Community and Rural Affairs, in accordance with the "Program Amendments" provisions of this document. The Technical Assistance Program is designed to provide, through direct Office of Community and Rural Affairs staff resources or by contract, training and technical assistance to units of general local government, nonprofit and for-profit entities relative to community and economic development initiatives, activities and associated project management requirements.

1. **Distribution of the Technical Assistance Program Set-aside:** Pursuant to HUD regulations and policy memoranda, the Office of Community and Rural Affairs may use alternative methodologies for delivering technical assistance to units of local government and nonprofits to carry out eligible activities, to include:

    a. Provide the technical assistance directly with Office of Community and Rural Affairs or other State staff;
    b. Hire a contractor to provide assistance;
    c. Use sub-recipients such as Regional Planning Organizations as providers or securers of the assistance;
    d. Directly allocate the funds to non-profits and units of general local governments to secure/contract for technical assistance.
    e. Pay for tuition, training, and/or travel fees for specific trainees from units of general local governments and nonprofits;
    f. Transfer funds to another state agency for the provision of technical assistance; and,
    g. Contracts with state-funded institutions of higher education to provide the assistance.

2. **Ineligible Uses of the Technical Assistance Program Set-aside:** The 1% set-aside may not be used by the Office of Community and Rural Affairs for the following activities:

    a. Local administrative expenses not related to community development;
    b. Any activity that can not be documented as meeting a technical assistance need;
    c. General administrative activities of the State not relating to technical assistance, such as monitoring state grantees, rating and ranking State applications for CDBG assistance, and drawing funds from the Office of Community and Rural Affairs; or,
    d. Activities that are meant to train State staff to perform state administrative functions, rather than to train units of general local governments and non-profits.

I. Administrative Funds Set-aside: $642,155

The State (Office of Community and Rural Affairs) will set aside $642,155 of its FY 2012 CDBG funds for payment of costs associated with administering its State Community Development Block Grant (CDBG) Program (CFDA Number 14.228). This amount ($642,155) constitutes two-percent (2%) of the State's FY 2012 CDBG allocation ($542,155), plus an amount of $100,000 ($27,107,784 X 0.02 = $542,155 + $100,000 = $642,155). The amount constituted by the 2% set aside ($542,155) is subject to the $1-for-$1 matching requirement of HUD regulations. The

$100,000 supplement is not subject to state match. These funds will be used by the Office of Community and Rural Affairs for expenses associated with administering its State CDBG Program, including direct personal services and fringe benefits of applicable Office of Community and Rural Affairs staff, as well as direct and indirect expenses incurred in the proper administration of the state's program and monitoring activities respective to CDBG grants awarded to units of local government (i.e. telephone, travel, services contractual, etc.). These administrative funds will also be used to pay for contractors hired to assist the Office of Community and Rural Affairs in its consolidated planning activities.

SECTION 108 LOAN GUARANTEE PROGRAM

During FY 2012, the State of Indiana proposes to pledge up to $140,000,000.00 of its present and future allocation(s) of Small Cities CDBG funds as security for Section 108 loan guarantees provided for under Subpart M of 24 CFR Part 570 (24 CFR 570.700). Applications may be submitted at any time during the year, as long as funds are available from HUD. The minimum loan amount is $1,000,000 and the maximum loan amount is $7,000,000, pursuant to 24 CFR 570.705(a)(ii). The state may enter into loan guarantee agreements in support of projects sponsored by an individual local government. Project must meet minimum criteria with respect to equity, collateral and underwriting standards. The CDBG Loan Guarantee Program (Section 108 Program) is an economic and community development financing tool authorized under Section 108 of Title I of the Housing and Community Development Act of 1974, as amended. The program provides a method of assisting non-entitlement local governments with certain unique and large-scale economic development projects that cannot proceed without the loan guarantee. In order to be eligible a project must meet all applicable CDBG requirements and result in significant employment opportunities and/or benefits for low- and moderate-income persons. Unlike the traditional CDBG Program, the Section 108 Program does not operate through assistance from the Office of Community and Rural Affairs (OCRA) or Indiana Housing and Community Development Authority. Rather, funds are raised through OCRA's "Pledge of Grants" to the U.S. Department of Housing and Urban Development (HUD) in order to obtain a federal guarantee of notes issued by the local government. The federally guaranteed notes are sold into private markets through public offerings conducted by HUD. By approving the project, a State pledges its future CDBG funds as the ultimate repayment source should a Section 108 loan default. The State's participation in the Section 108 program does not involve a pledge of Indiana's full faith and credit nor does it commit any funding to the local government. HUD makes the ultimate approval or denial of the federal guarantee.

PRIOR YEARS' METHODS OF DISTRIBUTION

This Consolidated Plan, statement of Method of Distribution is intended to amend all prior Consolidated Plans for grant years where funds are still available to reflect the new program designs. The Methods of Distribution described in this document will be in effect commencing on July 1, 2012, and ending June 30, 2012, unless subsequently amended, for all FY 2012 CDBG funds as well as remaining residual balances of previous years' funding allocations, as may be amended from time to time subject to the provisions governing "Program Amendments" herein. The existing and amended program budgets for each year are outlined below (administrative fund allocations have not changed and are not shown below). Adjustments in the actual dollars may occur as additional reversions become available.

At this time there are only nominal funds available for reprogramming for prior years' funds. If such funds should become available, they will be placed in the CFF Fund. This will include reversions from settlement of completed grantee projects, there are no fund changes anticipated. For prior years' allocations there is no fund changes anticipated. Non-expended funds, which revert from the financial settlement of projects funded from other programs, will be placed in the Community Focus Fund (CFF).

PROGRAM APPLICATION

The Community Economic Development Fund Program (CEDF), Flexible Funding Program (FF), and Planning Fund/Program (PL) will be conducted through a single-stage, continuous application process throughout the program year. The application process for the Community Focus Fund (CFF) and the Main Street Revitalization Program (MSRP) will be divided into two

stages. Eligible applicants will first submit a short program proposal for such grants. After submitting proposal, eligible projects under the Federal Act will be invited to submit a full application. For each program, the full application will be reviewed and evaluated. The Office of Community and Rural Affairs, as applicable, will provide technical assistance to the communities in the development of proposals and full applications.

An eligible applicant may submit only one Community Focus Fund (CFF) application per cycle. Additional applications may be submitted under the other state programs. The Office of Community and Rural Affairs reserves the right to negotiate Planning-Only grants with CFF applicants for applications lacking a credible readiness to proceed on the project or having other planning needs to support a CFF project.

OTHER REQUIREMENTS

While administrative responsibility for the Small Cities CDBG program has been assumed by the State of Indiana, the State is still bound by the statutory requirements of the applicable legislation passed by Congress, as well as federal regulations promulgated by the U. S. Department of Housing and Urban Development (HUD) respective to the State's CDBG program as codified under Title 24, Code of the Federal Register. HUD has passed on these responsibilities and requirements to the State and the State is required to provide adequate evidence to HUD that it is carrying out its legal responsibilities under these statutes.

As a result of the Federal Act, applicants who receive funds through the Indiana Office of Community and Rural Affairs selection process will be required to maintain a plan for minimizing displacement of persons as a result of activities assisted with CDBG funds and to assist persons actually displaced as a result of such activities. Applicants are required to provide reasonable benefits to any person involuntarily and permanently displaced as a result of the use of assistance under this program to acquire or substantially rehabilitate property. The State has adopted standards for determining reasonable relocation benefits in accordance with HUD regulations.

CDBG "Program Income" may be generated as a result of grant implementation. The State of Indiana may enter into an agreement with the grantee in which program income is retained by the grantee for eligible activities. Federal guidelines require that program income be spent prior to requesting additional draw downs. Expenditure of such funds requires prior approval from the Office of Community and Rural Affairs (OCRA). The State (Office of Community and Rural Affairs) will follow HUD regulations set forth under 24 CFR 570.489(e) respective to the definition and expenditure of CDBG Program Income.

All statutory requirements will become the responsibility of the recipient as part of the terms and conditions of grant award. Assurances relative to specific statutory requirements will be required as part of the application package and funding agreement. Grant recipients will be required to secure and retain certain information, provide reports and document actions as a condition to receiving funds from the program. Grant management techniques and program requirements are explained in the OCRA's CDBG Grantee Implementation Manual, which is provided to each grant recipient.

Revisions to the Federal Act have mandated additional citizen participation requirements for the State and its grantees. The State has adopted a written Citizen Participation Plan, which is available for interested citizens to review. Applicants must certify to the State that they are following a detailed Citizen Participation Plan which meets Title I requirements. Technical assistance will be provided by the Office of Community and Rural Affairs to assist program applicants in meeting citizen participation requirements.

The State has required each applicant for CDBG funds to certify that it has identified its housing and community development needs, including those of low and moderate income persons and the activities to be undertaken to meet those needs.

INDIANA OFFICE OF COMMUNITY AND RURAL AFFAIRS (OCRA)

The Indiana Office of Community and Rural Affairs intends to provide the maximum technical assistance possible for all of the programs to be funded from the CDBG program. Lieutenant Governor Rebecca Skillman heads the Office of Community and Rural Affairs. Principal responsibility within the OCRA for the CDBG program is vested in Kathleen Weissenberger, Director of Grant Services. The Office of Community and Rural Affairs also has the responsibility of administering compliance activities respective to CDBG grants awarded to units of local government.

Primary responsibility for providing "outreach" and technical assistance for the Community Focus Fund, Stellar Communities Program, Main Street Revitalization Fund and the Planning Fund process resides with the Office of Community and Rural Affairs. Primary responsibility for providing "outreach" and technical assistance for the Community Economic Development Program and award process also resides with OCRA. Primary responsibility for providing

"outreach" and technical assistance for the Housing award process resides with the Indiana Housing & Community Development Authority who will act as the administrative agent on behalf of the Indiana Office of Community and Rural Affairs.

The Business Office will provide internal fiscal support services for program activities, development of the Consolidated Plan and the CAPER. The Grant Services Division of OCRA has the responsibilities for CDBG program management, compliance and financial monitoring of all CDBG programs. The Indiana State Board of Accounts pursuant to the federal Office of Management and Budget Circular A-133 will conduct audits. Potential applicants should contact the Office of Community and Rural Affairs with any questions or inquiries they may have concerning these or any other programs operated by the Office of Community and Rural Affairs.

Information regarding the past use of CDBG funds is available at the:

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