

CHAPTER 4300
DEPARTMENT OF TRADE AND ECONOMIC
DEVELOPMENT
COMMUNITY DEVELOPMENT DIVISION
COMMUNITY BLOCK GRANTS

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4300.0100 DEFINITIONS.

[For text of subpart 1, see M.R.]

Subp. 2. Application year. "Application year" means the state fiscal year beginning July 1 and ending June 30.

Subp. 2a. Commissioner. "Commissioner" means the commissioner of the Minnesota Department of Trade and Economic Development.

Subp. 2b. Community development application. "Community development application" means the official consolidated application form as developed by the Department of Trade and Economic Development to be used to apply for funding assistance from various community assistance programs administered by the community development division.

[For text of subps 3 to 5, see M.R.]

Subp. 5a. Division. "Division" means the community development division in the Department of Trade and Economic Development to which the program is assigned.

[For text of subps 6 to 9, see M.R.]

Subp. 10. Grant close out. "Grant close out" means the process by which the division determines that all applicable administrative actions and all required work have been completed by the grant recipient and the department.

Subp. 11. Grant year. "Grant year" means any period of time during which the United States Department of Housing and Urban Development makes funds from any federal fiscal year available to the state for distribution to local governments under United States Code, title 42, sections 5301 to 5316 (1981), and includes the period of time during which the division solicits applications and makes grant awards.

Subp. 11a. Housing and community development needs assessment. "Housing and community development needs assessment" means an analysis of priority community needs as required by Section 104 of the Housing and Community Development Act of 1974, United States Code, title 42, section 5304(b)(3).

[For text of subps 12 to 15, see M.R.]

Subp. 16. [Repealed, 14 SR 1098]

[For text of subps 17 to 20, see M.R.]

Subp. 21. **Program area.** "Program area" means a defined geographic area within which an applicant has determined that there exists a need for community development activities. A program area may be a neighborhood in a community or an entire community.

[For text of subps 22 and 23, see M.R.]

Subp. 24. [Repealed, 14 SR 1098]

[For text of subp 25, see M.R.]

Subp. 26. **Single purpose project.** "Single purpose project" means one or more activities designed to meet a specific housing or public facilities community development need within a defined program area.

[For text of subp 27, see M.R.]

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *14 SR 1098*

4300.0200 PURPOSE.

This chapter gives procedures for evaluating applications for grants and awarding them to eligible applicants by the Department of Trade and Economic Development under United States Code, title 42, sections 5301 to 5316 (1981), and regulations adopted in Code of Federal Regulations, title 24, part 570, and under Minnesota Statutes, section 116J.873.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *14 SR 1098*

4300.1100 TYPES OF COMPETITIVE GRANTS AVAILABLE.

Subpart 1. **Single purpose grants.** The division shall approve grant applications for funding for single purpose projects. The division shall place single purpose grant applications in one of the following categories for purposes of evaluation:

A. housing projects which include one or more activities designed to increase the supply or quality of dwellings suited to the occupancy of individuals and families; or

B. public facilities projects which include one or more activities designed to acquire, construct, reconstruct, or install buildings or infrastructure which serve a neighborhood area or community.

Subp. 2. **Comprehensive grants.** The division shall approve comprehensive grants for two or more projects which constitute a comprehensive program as described in part 4300.0100.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *14 SR 1098*

4300.1101 ECONOMIC DEVELOPMENT GRANTS; NONCOMPETITIVE.

The division shall approve grants for economic development projects for funding throughout the application year, or until the funds reserved have been exhausted.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *14 SR 1098*

4300.1200 APPLICATION PROCESS AND REQUIREMENTS.

Subpart 1. Community development application manual. The division shall make the community development application manual, additional instructional materials, and forms available on a year-round basis. The manual and additional materials and forms shall instruct applicants in the preparation of applications and describe the method by which the division will evaluate and rank applications.

Subp. 2. Eligibility requirements. Any unit of general purpose local government, including cities, counties, and townships located in a nonentitlement area or electing exclusion from an urban county under United States Code, title 42, section 5302 (1981), may apply for a grant. An eligible applicant may apply on behalf of other eligible applicants. Applications submitted on behalf of other applicants must be approved by the governing body of all local governments party to the application. An eligible applicant may receive only one competitive grant per grant year and no eligible applicant shall be included in more than one competitive application. An eligible applicant may receive one economic development grant in addition to a competitive grant each application year.

Subp. 3. Disqualification of applicants. Applications from otherwise eligible applicants shall be disqualified where for previously awarded grants under these parts or awarded by the Department of Housing and Urban Development under United States Code, title 42, section 5306 (1981), it is determined by the division that any of the following conditions exist:

A. there are outstanding audit findings on previous community development grants and the grantee has not objected on a reasonable basis to the findings or demonstrated a willingness to resolve the findings;

B. previously approved projects have passed scheduled dates for grant close out and the grantee's ability to complete the project in an expeditious manner is in question; or

C. the applicant has not made scheduled progress on previously approved projects and the grantee's ability to complete the project in an expeditious manner is in question.

Subp. 4. Contents of community development application. The contents of a community development application must be consistent with the informational requirements of this chapter and must be on a form prescribed by the division. A complete community development application shall include, but not be limited to:

A. needs narrative, summarizing the needs for the proposed project;

B. project summary, summarizing the activities to be completed and the scope of the project;

C. activities and budget, detailing the estimates associated with each proposed activity;

D. assurances, necessary to comply with the federal or state requirements as a prerequisite to receiving state or federal funding;

E. resolution, from the submission of the local government applicant approving the application and authorizing execution of the grant agreement according to the requirements of the community development division if funds are made available; and

F. supporting materials, attachments that are designed to verify or support information in items A to E.

The division may request additional information from the applicant if it is necessary to clarify and evaluate the application.

Subp. 5. Time limit for submitting applications. While competitive applications may be submitted at any time during the year, a formal yearly closing date for receipt of applications shall be established. Complete competitive applica-

tions shall be evaluated following the closing date for competitive applications. The notice must be published in the State Register at least 120 days before the closing date. Economic development project applications may be submitted at any time during the application year.

Subp. 6. Regional review. The applicant must submit a complete copy of the application to the Regional Development Commission, where such a commission exists, or the Metropolitan Council, where it has jurisdiction, for review and comment in accordance with Minnesota Statutes, section 462.391, subdivision 3, or Minnesota Statutes, section 473.171, respectively.

Statutory Authority: *Ms s 116J.401; 116J.403; 116J.873*

History: *14 SR 1098*

4300.1300 EVALUATION OF APPLICATIONS.

All applications shall be evaluated by the division. A fixed amount of points shall be established as the maximum score attainable by any application. Points shall be made available within each class of rating criteria according to parts 4300.1400 to 4300.1900. Economic development project applications must meet threshold criteria in order to be evaluated.

Statutory Authority: *Ms s 116J.401; 116J.403; 116J.873*

History: *14 SR 1384*

4300.1400 COMPARISON OF ALL COMPETITIVE APPLICATIONS; DEMOGRAPHIC POINTS.

Subpart 1. [Repealed, 14 SR 1384]

Subp. 2. Evaluation of community need. Up to 30 demographic points shall be awarded based on evaluation of community need, which shall include:

[For text of items A to C, see M.R.]

Subp. 3. [Repealed, 14 SR 1384]

Statutory Authority: *Ms s 116J.401; 116J.403; 116J.873*

History: *14 SR 1098; 14 SR 1384*

4300.1500 COMPARISON OF COMPETITIVE APPLICATIONS WITHIN CATEGORIES.

After completing the general competition described in part 4300.1400, the division shall place each application in the appropriate grant category in accordance with part 4300.1100. The categories are housing projects, public facilities projects, and comprehensive programs. Two hundred and ten of the total 240 points available for each application shall be awarded based on a comparison of the applications within each of the categories as further described in parts 4300.1600 to 4300.1900.

Statutory Authority: *Ms s 116J.401; 116J.403; 116J.873*

History: *14 SR 1384*

4300.1600 EVALUATION OF HOUSING PROJECTS.

Subpart 1. Project need. Up to 90 of the points available in the housing category competition shall be awarded by the division based on evaluation of the need for improvements or additions to the housing stock serving low and moderate income persons as evidenced by:

[For text of items A to C, see M.R.]

Subp. 2. Project impact. Up to 90 of the points available in the housing category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities will eliminate deficiencies in the housing stock serving low and moderate income persons.

Subp. 3. **Project cost effectiveness.** Up to 30 of the points available in the housing category competition shall be awarded by the division based on:

A. evaluation of the extent to which the proposed activities will make cost effective use of grant funds including coordination with, and use of, funds from other public and private sources; and

B. evidence that the cost of the proposed activities per benefiting household is reasonable.

Statutory Authority: *Ms s 116J.401; 116J.403; 116J.873*

History: 14 SR 1384

4300.1700 EVALUATION OF PUBLIC FACILITIES PROJECTS.

Subpart 1. **Project need.** Up to 90 of the points available in the public facilities category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities are necessary to improve provision of public services to low and moderate income persons or to eliminate an urgent threat to public health or safety.

Subp. 2. **Project impact.** Up to 90 of the points available in the public facilities category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities will reduce or eliminate the need identified under subpart 1, and, in the case of activities designed to improve the provision of public services to low and moderate income persons, an evaluation of the extent to which the proposed activities directly benefit low and moderate income persons.

Subp. 3. **Project cost effectiveness.** Up to 30 of the points available in the public facilities category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities will make cost effective use of grant funds, including consideration of:

[For text of items A to C, see M.R.]

Statutory Authority: *Ms s 116J.401; 116J.403; 116J.873*

History: 14 SR 1384

4300.1900 EVALUATION OF COMPREHENSIVE PROGRAM PROJECTS.

Subpart 1. **Program need.** Up to 90 of the points available in the comprehensive program category competition shall be awarded by the division based on evaluation of need for the proposed comprehensive program, including consideration of:

[For text of items A to C, see M.R.]

Subp. 2. **Program impact.** Up to 90 of the points available in the comprehensive program category competition shall be awarded by the division based on evaluation of the extent to which the proposed comprehensive program will eliminate or reduce the need identified under subpart 1, and the extent to which the proposed program will improve the long term physical or economic condition of the program area and its residents.

Subp. 3. **Program cost effectiveness.** Up to 30 of the points available in the comprehensive program category competition shall be based on evaluation of the extent to which the proposed comprehensive program will make cost effective use of grant funds, including consideration of coordination with, and use of, funds from other public and private sources.

Statutory Authority: *Ms s 116J.401; 116J.403; 116J.873*

History: 14 SR 1384

4300.1901 EVALUATION OF ECONOMIC DEVELOPMENT PROJECTS.

[For text of subps 1 and 2, see M.R.]

Subp. 3. Project review. Applications that meet eligibility thresholds will be awarded points by the division based on evaluation of the two rating categories: project design and financial feasibility. Applications must attain at least 400 of the 600 available points for economic development to be recommended for funding. Applications must score at least half of the points available in each of the two rating categories.

Four hundred points will be awarded based on an evaluation of project quality including an assessment of need, impact, and the capacity of the applicant to complete the project in a timely manner. Consideration of need for an economic development project must be based on deficiencies in employment opportunities and circumstances contributing to economic vulnerability and distress. Consideration of impact must be based on the extent to which the project reduces or eliminates the need. Consideration of capacity must be based on demonstration of administrative capability, realistic implementation schedules, and the ability to conform to state and federal requirements.

Two hundred points will be awarded based on an evaluation of the effective use of program funds to induce economic development. Consideration of financial feasibility must include investment analysis, commitment of other funds, and other factors relating to the type of program assistance requested.

Subp. 4. Funding recommendations. Applications that attain at least 400 points will be recommended to the commissioner for funding. Applications not recommended for funding may be revised and resubmitted.

Statutory Authority: *Ms s 116J.401; 116J.403; 116J.873*

History: *14 SR 1384*

4300.2000 DETERMINATION OF GRANT AWARDS.

Subpart 1. Funds available for grants. The amount of funds available for grants shall be equal to the total allocation of federal funds made available to the state under United States Code, title 42, section 5306, after subtracting an amount for costs available to the division for administration of the program, as allowed by that law, plus any money made available by the state legislature. The division is not liable for any grants under this chapter until funds are received from the United States Department of Housing and Urban Development.

Subp. 2. Division of funds. Of the federal funds available for grants in each grant year, 30 percent shall be reserved by the division to fund single purpose grants, 15 percent shall be reserved for economic development grants, and 55 percent shall be reserved by the division to fund comprehensive grants. However, the division may modify the proportions of funds available for single purpose and comprehensive grants if, after review of all applications, it determines that there is a shortage of fundable applications in either category.

At least 30 percent of the funds made available for single purpose grants shall be awarded for applications in each of the two categories: housing and public facilities. However, no application with a rating below the median score for its category shall be funded by the division solely for the purpose of meeting this requirement.

If there are unawarded economic development funds available at the end of the application year, two-thirds of the remaining funds will be available for competitive single purpose projects and one-third will be available for economic development projects during the next application year.

Subp. 3. Funding list. Within each grant category, a list of applications shall be prepared in rank order of the scores received after evaluation pursuant to parts 4300.1300 to 4300.1900. Based on these lists, and subject to the availability of

funds within each category, applications with the highest rank shall be recommended to the commissioner for funding. In the case of a tie between any two applications within any category, the application with the higher demographic points shall receive the higher ranking on the list.

Subp. 4. Approval by commissioner. The list of applications recommended for funding, including recommended grant awards, shall be submitted by the division to the commissioner for approval. A decision by the commissioner not to approve any application recommended for funding must be made in writing to the applicant, giving reasons for disapproval.

Subp. 5. Reduction in amount requested. The division may recommend an application for funding in an amount less than requested if, in the opinion of the division, the amount requested is more than is necessary to meet the applicant's need. If the amount of the grant is reduced, the reasons for the reduction shall be given to the applicant.

[For text of subp 6, see M.R.]

Statutory Authority: *Ms s 116J.401; 116J.403; 116J.873*

History: *14 SR 1384*

4300.3100 GRANT AGREEMENTS.

[For text of subps 1 and 2, see M.R.]

Subp. 3. Use of program income. Program income from sources such as reimbursements to and interest from a grant recipient's loan program, proceeds from disposition of real property, and proceeds from special assessments must be used for eligible activities. The division shall reduce future grant payments by the amount of any unobligated program income that an applicant has and shall take whatever additional action is necessary to recover any remaining amounts owed. In accordance with Code of Federal Regulations, title 24, section 570.494(b)(4), interest earned by grant recipients on grant funds before disbursement is not program income, and it must be returned to the United States treasury.

Subp. 4. Grant account required. Grant recipients must establish and maintain separate accounts for grant funds.

Subp. 5. Restrictions on use of funds. No grant funds shall be used to finance activities not included in the grant agreement. If it is determined that an improper use of funds has occurred, the division will take whatever action is necessary to recover improperly spent funds.

Subp. 6. Suspension of payments. The division shall suspend payments of funds to grant recipients that are not in compliance with applicable state and federal laws, rules, and regulations. Grant recipients must return funds that are improperly expended.

[For text of subp 7, see M.R.]

Statutory Authority: *Ms s 116J.401; 116J.403; 116J.873*

History: *14 SR 1384*

4300.3200 RECORD KEEPING AND MONITORING.

Subpart 1. Financial records. Grant recipients shall maintain financial records that identify the source and application of funds for grant supported activities. These records must contain information about grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, income, and other information required by the division under the responsibilities it assumes under Code of Federal Regulations, title 24, section 570.497(b). Financial records, supporting documents, statistical records, and all other records pertinent to a grant must be retained by the grant recipient for three years

from the date of submitting the final financial report. No such records or documents may be disposed of while audits, claims, or litigations involving the records are in progress.

[For text of subp 2, see M.R.]

Subp. 3. Financial status report. Grant recipients shall file financial status reports at the close of each reporting period as designated by the division and shall file a final financial report before grant close out. Financial status reports must be on forms prescribed by the division. The division may not require these reports more often than quarterly.

Subp. 4. Performance report. Grant recipients shall also file performance reports at the close of each reporting period as designated by the division and shall file a final performance report before grant close out. Performance reports shall be on forms prescribed by the division. The division may not require these reports more often than quarterly.

Subp. 5. Access to records. Representatives of the department, either the state auditor or legislative auditor as is appropriate, and federal auditors shall have access to all books, records, accounts, reports, files, and other papers, things, or property belonging to grant recipients which are related to the administration of grants and necessary for audits and monitoring compliance with parts 4300.0100 to 4300.3200.

Statutory Authority: *Ms s 116J.401; 116J.403; 116J.873*

History: *14 SR 1384*