

10 MCAR 1

9-24-82

1 Department of Energy, Planning and Development
 2 Office of Local Government of the Planning Division
 3
 4 Adopted Rules Governing the Community Development Block Grant
 5 Program

7 Rules as Adopted

8 10 MCAR S 1.500 Small cities community block grant program;
 9 general provisions.

10 A. Purpose of these rules. Rules 10 MCAR SS 1.500-1.565
 11 give procedures for evaluating applications for grants and
 12 awarding them to eligible applicants by the Department of
 13 Energy, Planning and Development under United States Code, title
 14 42, sections 5301-5136 (1981), and regulations adopted in Code
 15 of Federal Regulations, title 24, part 570.

16 B. Objective of the program. The primary objective of this
 17 program is to develop viable urban communities by providing
 18 decent housing and a suitable living environment and by
 19 expanding economic opportunities, principally for persons of low
 20 and moderate income. Activities funded under this program shall
 21 not benefit moderate-income persons to the exclusion of
 22 low-income persons. All funded activities must be designed to:

- 23 1. benefit low- and moderate-income persons;
- 24 2. prevent or eliminate slums and blight; or
- 25 3. alleviate urgent community development needs caused by
- 26 existing conditions which pose a serious and immediate threat to
- 27 the health or welfare of the community where other financial
- 28 resources are not available to meet those needs.

29 C. Definitions. As used in 10 MCAR SS 1.500-1.565, the
 30 following terms have the meanings given them.

31 1. "Community development need" means a demonstrated
 32 deficiency in housing stock, public facilities, economic
 33 opportunities, or other services which are necessary for
 34 developing or maintaining viable communities.

35 2. "Comprehensive program" means a combination of at
 36 least two interrelated projects which are designed to address

1 community development needs which by their nature require a
2 coordination of housing, public facilities, or economic
3 development activities. A comprehensive program must be
4 designed to benefit a defined geographic area, otherwise known
5 as a program area.

6 3. "Eligible activities" means those activities so
7 designated in United States Code, title 42, section 5305 (1981)
8 and as described in Code of Federal Regulations, title 24,
9 sections 570.200-570.207 (1981).

10 4. "General purpose local government" means townships as
11 described in Minn. Stat. ch. 365; cities as described in Minn.
12 Stat. chs. 410 and 412; and counties.

13 5. "Grant" means an agreement between the state and an
14 eligible recipient through which the state provides funds to
15 carry out specified programs, services, or activities.

16 6. "Grant close-out" means the process by which the
17 office determines that all applicable administrative actions and
18 all required work have been completed by the grant recipient and
19 the department.

20 7. "Grant year" means any period of time during which the
21 United States Department of Housing and Urban Development makes
22 funds from any federal fiscal year available to the state for
23 distribution to local governments under United State Code, title
24 42, sections 5301-5316 (1981), and includes the period of time
25 during which the office solicits applications and makes grant
26 awards.

27 8. "Infrastructure" means the basic physical systems,
28 structures, and facilities, such as roads, bridges, water, and
29 sewer, which are necessary to support a community.

30 9. "Low and moderate income" means income which does not
31 exceed 80 percent of the median income for the area, with
32 adjustments for smaller and larger families.

33 10. "Metropolitan city" means a city over 50,000
34 population or a central city of a standard metropolitan
35 statistical area that receives entitlement grants under United
36 States Code, title 42, section 5306 (1981) directly from the

1 United States Department of Housing and Urban Development.

2 11. "Nonentitlement area" means an area that is not a
3 metropolitan city or part of an urban county.

4 12. "Office" means the Office of Local Government in the
5 Department of Energy, Planning and Development.

6 13. "Per capita assessed valuation" means the adjusted
7 assessed valuation divided by population.

8 14. "Population" means the number of persons who are
9 residents in a county, city, or township as established by the
10 last federal census, by a census taken pursuant to Minn. Stat. S
11 275.53, subd. 2, by a population estimate made by the
12 Metropolitan Council, or by the population estimate of the state
13 demographer made under Minn. Stat. S 4.12, subd. 7, clause (10),
14 whichever is most recent as to the stated date of count or
15 estimate, up to and including the most recent July 1.

16 15. "Poverty persons" means individuals or families whose
17 incomes are below the poverty level as determined by the most
18 current data available from the United States Department of
19 Commerce, taking into account variations in cost of living for
20 the area affected.

21 16. "Program" means the community development block grant
22 program for nonentitlement areas.

23 17. "Program area" means a defined geographic area within
24 which an applicant has determined that, based on community plans
25 or other studies, there exists a need for community development
26 activities. A program area may be a neighborhood in a community
27 or an entire community.

28 18. "Program income" means gross income earned by the
29 grant recipient from grant-supported activities, excluding
30 interest earned on advances.

31 19. "Project" means one or more activities designed to
32 meet a specific community development need.

33 20. "Regional or community development plans" means
34 written documents, resolutions, or statements which describe
35 goals, policies, or strategies for the physical, social, or
36 economic development of a neighborhood, community, or substate

1 area. Regional or community development plans include
2 comprehensive plans and elements of comprehensive plans,
3 including land use plans, which have been approved by the
4 governing boards of townships, counties, or cities, and also
5 include regional development plans adopted under Minn. Stat. S
6 462.381, where applicable.

7 21. "Slums and blight" means areas or neighborhoods which
8 are characterized by conditions used to describe deteriorated
9 areas in Minn. Stat. S 462.421 or which are characterized by the
10 conditions used to describe redevelopment districts in Minn.
11 Stat. S 273.73, subd. 10.

12 22. "Single purpose project" means one or more activities
13 designed to meet a specific community development need.

14 23. "Urban county" means a county which is located in a
15 metropolitan area and is entitled to receive grants under United
16 States Code, title 42, section 5306 (1981), directly from the
17 United States Department of Housing and Urban Development.

18 10 MCAR S 1.505 Types of grants available.

19 A. Single purpose grants. The office shall approve grants
20 for single purpose projects for funding from a single grant year.
21 The office shall place single purpose grant applications in one
22 of the following categories for purposes of evaluation:

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

26 2. public facilities projects which include one or more
27 activities designed to acquire, construct, reconstruct, or
28 install buildings or infrastructure which serve a neighborhood
29 area or community; or

30 3. economic development projects which include one or
31 more activities designed to create new employment, maintain
32 existing employment, or otherwise increase economic activity in
33 a community.

34 B. Comprehensive grants. The office shall approve
35 comprehensive grants for two or more projects which constitute a
36 comprehensive program. Comprehensive grants shall be approved

1 for funding from one, two, or three grant years. In the case of
 2 grants approved for funding from more than one grant year, the
 3 office shall make funds available to the grant recipient in the
 4 second or third year only after the recipient submits an
 5 approved application. ~~The office must also find~~ Approval shall
 6 be subject to a finding by the office that the grant recipient
 7 has made normal progress and is in compliance with 10 MCAR SS
 8 1.500-1.565.

9 C. Previous grant commitments. The provisions of B. apply
 10 to three-year comprehensive grant commitments made by the United
 11 States Department of Housing and Urban Development in 1981 under
 12 United States Code, title 42, section 5306 (1980).

13 10 MCAR S 1.510 Application process and requirements.

14 A. Grant application manual. The office shall prepare a
 15 manual for distribution to eligible applicants no later than 120
 16 days before the application closing date. The manual must
 17 instruct applicants in the preparation of applications and
 18 describe the method by which the office will evaluate and rank
 19 applications. If 10 MCAR SS 1.500-1.565 are not adopted before
 20 September 15, 1982, the 120-day period is waived for the 1983
 21 grant year but the office shall make the manual available no
 22 later than 60 days before the application closing date.

23 B. Eligibility requirements. Any unit of general purpose
 24 local government, including cities, counties, and townships
 25 located in a nonentitlement area or electing exclusion from an
 26 urban county under United States Code, title 42, section 5302
 27 (1981), may apply for a grant. An eligible applicant may apply
 28 on behalf of other eligible applicants. Applications submitted
 29 on behalf of other applicants must be approved by the governing
 30 body of all local governments party to the application. An
 31 eligible applicant may apply for only one grant per grant year
 32 and no eligible applicant shall be included in more than one
 33 application.

34 C. Disqualification of applicants. Applications from
 35 otherwise eligible applicants shall be disqualified where for
 36 previously awarded grants under these rules or awarded by the

1 Department of Housing and Urban Development under United States
2 Code, title 42, section 5306 (1981), it is determined by the
3 office that any of the following conditions exist:

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

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

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

14 D. Contents of application. The contents of the application
15 must be consistent with the informational requirements of 10
16 MCAR SS 1.500-1.565 and must be on a form prescribed by the
17 office. The application must be accompanied by:

18 1. an assurance, signed by the chief elected official,
19 that the applicant will comply with all applicable state and
20 federal requirements;

21 2. an assurance signed by the chief elected official
22 certifying that at least one public hearing was held at least
23 ten days but not more than 30 days before submitting the
24 application; and

25 3. a copy of a resolution passed by the governing body
26 approving the application and authorizing execution of the grant
27 agreement if funds are made available.

28 The office may request additional information from the
29 applicant if it is necessary to clarify and evaluate the
30 application.

31 E. Time limit for submitting applications. Applications
32 must be received in the office or postmarked by the closing
33 date. The office shall give notice of the period during which
34 applications will be accepted. The notice must be published in
35 the State Register at least 120 days before the closing date.

36 F. Regional review. The applicant must submit a complete

1 copy of the application to the Regional Development Commission,
2 where such a commission exists, or the Metropolitan Council,
3 where it has jurisdiction, for review and comment in accordance
4 with Minn. Stat. S 462.391, subd. 3, or Minn. Stat. S 473.171,
5 respectively.

6 10 MCAR S 1.515 Evaluation of applications; in general. All
7 applications shall be evaluated by the office. A fixed amount
8 of points shall be established as the maximum score attainable
9 by any application. Points shall be made available within each
10 class of rating criteria in accordance with the percentages and
11 fractions indicated in 10 MCAR SS 1.520-1.545.

12 10 MCAR S 1.520 Comparison of all applications; general
13 competition.

14 A. Points available. Thirty percent of the total available
15 points shall be awarded by the office based on a general
16 competition involving a comparison of all applications.

17 B. Evaluation of community need. Two-thirds of the points
18 in the general competition shall be awarded based on evaluation
19 of community need, which shall include:

20 1. the number of poverty persons in the area under the
21 applicant's jurisdiction;

22 2. the percentage of persons resident in the area under
23 the applicant's jurisdiction who are poverty persons; and

24 3. the per capita assessed valuation of the area under
25 the jurisdiction of the applicant, such that points are awarded
26 in inverse relationship to applicants' per capita assessed
27 valuation.

28 C. Evaluation of other factors. One-third of the points in
29 the general competition shall be awarded based on evaluation of:

30 1. the extent to which the proposed activities are
31 compatible with regional or community development plans; and

32 2. adequacy of the applicant's management and financial
33 plan.

34 10 MCAR S 1.525 Comparison of applications within categories.

35 After completing the general competition described in 10 MCAR S

1 1.520, the office shall place each application in the
2 appropriate grant category in accordance with 10 MCAR S 1.505.
3 The categories are housing projects, public facilities projects,
4 economic development projects, and comprehensive programs.
5 Seventy percent of the total points available for each
6 application shall be awarded based on a comparison of the
7 applications within each of the categories as further described
8 in 10 MCAR SS 1.530-1.545.

9 10 MCAR S 1.530 Evaluation of housing projects.

10 A. Project need. Three-sevenths of the points available in
11 the housing category competition shall be awarded by the office
12 based on evaluation of the need for improvements or additions to
13 the housing stock serving low- and moderate-income persons as
14 evidenced by:

- 15 1. housing units which are occupied by low- and
16 moderate-income persons and are either substandard or pose a
17 threat to the health or safety of the occupants;
- 18 2. an inadequate supply of affordable housing for low- or
19 moderate-income persons; or
- 20 3. other documented conditions which give evidence of the
21 need for improvements or additions to the housing stock serving
22 low- and moderate-income persons.

23 B. Project impact. Three-sevenths of the points available
24 in the housing category competition shall be awarded by the
25 office based on evaluation of the extent to which the proposed
26 activities will eliminate or reduce the need for improvements or
27 additions to the housing stock serving low- and moderate-income
28 persons.

29 C. Project cost-effectiveness. One-seventh of the points
30 available in the housing category competition shall be awarded
31 by the office based on:

- 32 1. evaluation of the extent to which the proposed
33 activities will make cost-effective and efficient use of grant
34 funds including coordination with, and use of, funds from other
35 public and private sources; and
- 36 2. evidence that the cost of the proposed activities per

1 benefiting household is reasonable.

2 10 MCAR S 1.535 Evaluation of public facilities projects.

3 A. Project need. Three-sevenths of the points available in
4 the public facilities category competition shall be awarded by
5 the office based on evaluation of the extent to which the
6 proposed activities are necessary to improve provision of public
7 services to low- and moderate-income persons or to eliminate an
8 urgent threat to public health or safety.

9 B. Project impact. Three-sevenths of the points available
10 in the public facilities category competition shall be awarded
11 by the office based on evaluation of the extent to which the
12 proposed activities will reduce or eliminate the need identified
13 under A., and, in the case of activities designed to improve the
14 provision of public services to low- and moderate-income
15 persons, an evaluation of the extent to which the proposed
16 activities directly benefit low- and moderate-income persons.

17 C. Project cost-effectiveness. One-seventh of the points
18 available in the public facilities category competition shall be
19 awarded by the office based on evaluation of the extent to which
20 the proposed activities will make cost-effective and efficient
21 use of grant funds, including consideration of:

22 1. the extent to which the requested grant funds are
23 necessary to finance all or a portion of the costs;

24 2. evidence that the cost of the proposed activities per
25 benefiting household or person is reasonable; and

26 3. the extent to which the project benefits existing,
27 rather than future, population, except in cases where the
28 proposed activities are necessary due to expected development or
29 growth which is beyond the applicant's control.

30 10 MCAR S 1.540 Evaluation of economic development projects.

31 A. Project need. Three-sevenths of the points available in
32 the economic development category competition shall be awarded
33 by the office based on evaluation of the applicant's need for
34 economic development assistance, as evidenced by:

35 1. long-term employment problems;

1 2. unusual dependence on a small number of industries or
2 employers; or

3 3. other documented conditions which give evidence of the
4 reasonable need for economic development assistance.

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6 B. Project impact. Three-sevenths of the points available
7 in the economic development category competition shall be
8 awarded by the office based on evaluation of the extent to which
9 the proposed activities will benefit low- and moderate-income

10 A., and shall include consideration of:

- 11 1. the immediacy of the project's impact;
- 12 2. the beneficial effect on personal income in the area;
- 13 3. the extent to which the proposed activities are
14 reasonably expected to result in long-term improvement in the
15 economic base of the area; and
- 16 4. the number and quality of permanent jobs created or
17 maintained.

18 C. Project cost-effectiveness. One-seventh of the points
19 available in the economic development category competition shall
20 be based on evaluation of the extent to which the proposed
21 activities will make cost-effective and efficient use of grant
22 funds, including consideration of:

- 23 1. the cost per job created or maintained;
- 24 2. coordination with, and use of, other public and
25 private funds; and
- 26 3. the economic viability of any business being assisted.

27 10 MCAR S 1.545 Evaluation of comprehensive program projects.

28 A. Program need. Three-sevenths of the points available in
29 the comprehensive program category competition shall be awarded
30 by the office based on evaluation of need for the proposed
31 comprehensive program, including consideration of:

- 32 1. the number of low- and moderate-income persons in the
33 program area;
- 34 2. the percentage of residents in the program area which
35 are of low or moderate income; and
- 36 3. the need for the proposed comprehensive program as

1 evidenced by at least two of the following: the need for
 2 improvements or additions to the housing stock serving low- and
 3 moderate-income persons, the need for new or improved public
 4 facilities in the program area, or employment problems in the
 5 program area.

6 B. Program impact. Three-sevenths of the points available
 7 in the comprehensive program category competition shall be
 8 awarded by the office based on evaluation of the extent to which
 9 the proposed comprehensive program will eliminate or reduce the
 10 need identified under A., and the extent to which the proposed
 11 program will improve the long-term physical or economic
 12 condition of the program area and its residents.

13 C. Program cost-effectiveness. One-seventh of the points
 14 available in the comprehensive program category competition
 15 shall be based on evaluation of the extent to which the proposed
 16 comprehensive program will make cost-effective and efficient use
 17 of grant funds, including consideration of coordination with,
 18 and use of, funds from other public and private sources.

19 10 MCAR S 1.550 Determination of grant awards.

20 A. Funds available for grants. The amount of funds
 21 available for grants shall be equal to the total allocation of
 22 federal funds made available to the State under United States
 23 Code, title 42, section 5306 (1981), after subtracting an amount
 24 for costs incurred by the office for administration of the
 25 program, as allowed by that law. The office is not liable for
 26 any grants under 10 MCAR SS 1.500-1.565 until funds are received
 27 from the United States Department of Housing and Urban
 28 Development.

29 B. Division of funds.

30 1. Of the funds available for grants in each grant year,
 31 45 percent shall be reserved by the office to fund single
 32 -----
 32 purpose grants, and 55 percent shall be reserved by the office
 33 -----
 33 to fund comprehensive grants, including the second and third
 34 years of comprehensive grants approved for funding under 10 MCAR
 35 S 1.505 B. and C., and 10 MCAR S 1.545. However, the office may -----
 36 modify the proportions of funds available for single purpose and

1 comprehensive grants if, after review of all applications, it
2 determines that there is a shortage of fundable applications in
3 either category.

4 2. At least 20 percent of the funds made available for
5 single purpose grants shall be awarded for applications in each
6 of the three categories: housing, public facilities, and
7 economic development. However, no application with a rating
8 below the median score for its category shall be funded by the
9 office solely for the purpose of meeting this requirement.

10 C. Funding list. Within each grant category, a list of
11 applications shall be prepared in rank order of the scores
12 received after evaluation pursuant to 10 MCAR SS 1.515-1.545.
13 Based on these lists, and subject to the availability of funds
14 within each category, applications with the highest rank shall
15 be recommended to the commissioner for funding. In the case of
16 a tie between any two applications within any category, the
17 application with the highest score in the general competition
18 shall receive the higher ranking on the list.

19 D. Approval by commissioner. The list of applications
20 recommended for funding, including recommended grant awards,
21 shall be submitted by the office to the commissioner for
22 approval. A decision by the commissioner not to approve any
23 application recommended for funding must be made in writing to
24 the applicant, giving reasons for disapproval.

25 E. Reduction in amount requested. The office may recommend
26 an application for funding in an amount less than requested if,
27 in the opinion of the office, the amount requested is more than
28 is necessary to meet the applicant's need. If the amount of the
29 grant is reduced, the reasons for the reduction shall be given
30 to the applicant.

31 F. Grant ceilings. No single purpose grant may be approved
32 for an amount over \$600,000. No comprehensive grant may be
33 approved for an amount over \$700,000 from any single grant year
34 or for more than a total of \$1,400,000 over three grant years.

35 10 MCAR S 1.555 Grant agreements.

36 A. Grant contract required. A grant contract shall be

1 offered to each applicant whose application is approved for
2 funding. The contract must be signed by a person authorized to
3 commit the applicant to legally binding agreements and to
4 execute the contract.

5 B. Contents of grant contract. The grant contract must
6 include:

7 1. a work program which indicates completion dates for
8 major parts of the project and a projected budget supporting the
9 work program;

10 2. a description of the manner in which payments will be
11 made to grant recipients with the condition that five percent of
12 the grant award will not be paid until successful completion of
13 all activities in the work program; and

14 3. assurances that the grant recipient will comply with
15 all applicable state and federal laws, including at least the
16 federal laws or regulations for which the state is made
17 responsible for enforcement in Code of Federal Regulations,
18 title 24, sections 570.495 and 570.496.

19 C. Use of program income. Program income from sources such
20 as reimbursements to and interest from a grant recipient's loan
21 program, proceeds from disposition of real property, and
22 proceeds from special assessments must be used for project-
23 related costs within 12 months from the time it is earned. The
24 office shall reduce future grant payments by the amount of any
25 unobligated program income which an applicant has and shall take
26 whatever additional action is necessary to recover any remaining
27 amounts owed.

28 D. Grant account required. Grant recipients must establish
29 and maintain separate accounts for grant funds. In accordance
30 with Code of Federal Regulations, title 24, section 570.494,
31 clause 4, interest earned by grant recipients on grant funds
32 before disbursement is not program income, and it must be
33 returned to the United States Treasury.

34 E. Restrictions on use of funds. No grant funds shall be
35 used to finance activities not included in the grant agreement.
36 If it is determined that an improper use of funds has occurred,

1 the office will take whatever action is necessary to recover
2 improperly spent funds.

3 F. Suspension of payments. The office shall suspend
4 payments of funds to grant recipients which are not in
5 compliance with applicable state and federal laws, rules, and
6 regulations. Grant recipients must return funds which are
7 improperly expended.

8 G. Amendments to the agreement. Amendments to the grant
9 agreement must be in writing.

10 10 MCAR S 1.560 Record keeping and monitoring.

11 A. Financial records. Grant recipients shall maintain
12 financial records which identify the source and application of
13 funds for grant-supported activities. These records must
14 contain information about grant awards and authorizations,
15 obligations, unobligated balances, assets, liabilities, outlays,
16 income, and other information required by the office under the
17 responsibilities it assumes under Code of Federal Regulations,
18 title 24, section 570.497, clause b. Financial records,
19 supporting documents, statistical records, and all other records
20 pertinent to a grant must be retained by the grant recipient for
21 three years from the date of submitting the final financial
22 report. No such records or documents may be disposed of while
23 audits, claims, or litigations involving the records are in
24 progress.

25 B. Audits. Grant recipients must arrange for and pay for an
26 audit before grant close-out. Audits will usually be done
27 annually, but no less frequently than every two years. In the
28 case of two- and three-year comprehensive programs, the office
29 shall require an audit after two years; costs incurred pursuant
30 to this requirement are eligible under this program.

31 C. Financial status report. Grant recipients shall file
32 financial status reports at the close of each reporting period
33 as designated by the office and shall file a final financial
34 report before grant close-out. Financial status reports must be
35 on forms prescribed by the office. The office may not require
36 these reports more often than quarterly.

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

7 E. Access to records. Representatives of the office, either
8 the State Auditor or Legislative Auditor as is appropriate, and
9 federal auditors shall have access to all books, records,
10 accounts, reports, files, and other papers, things, or property
11 belonging to grant recipients which are related to the
12 administration of grants and necessary for audits and monitoring
13 compliance with 10 MCAR SS 1.500-1.565.

14 10 MCAR S 1.565 Application of federal law. If it is determined
15 that any provisions of 10 MCAR SS 1.500-1.560 are inconsistent
16 with federal law, then federal law controls to the extent
17 necessary to eliminate the conflict.

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