

1 Department of Energy and Economic Development

2 Community Development Division

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4 Adopted Rules Governing the Community Development Block Grant

5 Program

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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 Energy
 13 and Economic Development under United States Code, title 42,
 14 sections 5301-5136 (1981), and regulations adopted in Code of
 15 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. "Application year" means the federal fiscal year
- 32 beginning October 1 and ending September 31.
- 33 2. "Community development need" means a demonstrated
- 34 deficiency in housing stock, public facilities, economic
- 35 opportunities, or other services which are necessary for
- 36 developing or maintaining viable communities.

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1 3. "Competitive grant" means a grant application that is
2 evaluated and ranked in comparison to other applications in the
3 same grant category and includes housing, public facilities, and
4 comprehensive applications.

5 4. "Comprehensive program" means a combination of at
6 least two interrelated projects which are designed to address
7 community development needs which by their nature require a
8 coordination of housing, public facilities, or economic
9 development activities. A comprehensive program must be
10 designed to benefit a defined geographic area, otherwise known
11 as a program area.

12 5. "Economic development project" means one or more
13 activities designed to create new employment, maintain existing
14 employment, increase the local tax base, or otherwise increase
15 economic activity in a community.

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

20 7. "General purpose local government" means townships as
21 described in Minnesota Statutes, chapter 365; cities as
22 described in Minnesota Statutes, chapters 410 and 412; and
23 counties.

24 8. "Grant" means an agreement between the state and an
25 eligible recipient through which the state provides funds to
26 carry out specified programs, services, or activities.

27 9. "Grant close-out" means the process by which the
28 office determines that all applicable administrative actions and
29 all required work have been completed by the grant recipient and
30 the department.

31 10. "Grant year" means any period of time during which
32 the United States Department of Housing and Urban Development
33 makes funds from any federal fiscal year available to the state
34 for distribution to local governments under United State Code,
35 title 42, sections 5301-5316 (1981), and includes the period of
36 time during which the office solicits applications and makes

1 grant awards.

2 11. "Infrastructure" means the basic physical systems,
3 structures, and facilities, such as roads, bridges, water, and
4 sewer, which are necessary to support a community.

5 12. "Low and moderate income" means income which does not
6 exceed 80 percent of the median income for the area, with
7 adjustments for smaller and larger families.

8 13. "Metropolitan city" means a city over 50,000
9 population or a central city of a standard metropolitan
10 statistical area that receives entitlement grants under United
11 States Code, title 42, section 5306 (1981) directly from the
12 United States Department of Housing and Urban Development.

13 14. "Nonentitlement area" means an area that is not a
14 metropolitan city or part of an urban county.

15 15. "Office" means the office or division in the
16 Department of Energy and Economic Development to which the
17 program is assigned.

18 16. "Per capita assessed valuation" means the adjusted
19 assessed valuation divided by population.

20 17. "Population" means the number of persons who are
21 residents in a county, city, or township as established by the
22 last federal census, by a census taken pursuant to Minnesota
23 Statutes, section 275.53, subdivision 2, by a population
24 estimate made by the Metropolitan Council, or by the population
25 estimate of the state demographer made under Minnesota Statutes,
26 section 116J.42, subdivision 7, clause (10), whichever is most
27 recent as to the stated date of count or estimate, up to and
28 including the most recent July 1.

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

34 19. "Program" means the community development block grant
35 program for nonentitlement areas.

36 20. "Program area" means a defined geographic area within

1 which an applicant has determined that, based on community plans
2 or other studies, there exists a need for community development
3 activities. A program area may be a neighborhood in a community
4 or an entire community.

5 21. "Program income" means gross income earned by the
6 grant recipient from grant-supported activities, excluding
7 interest earned on advances.

8 22. "Project" means one or more activities designed to
9 meet a specific community development need.

10 23. "Regional or community development plans" means
11 written documents, resolutions, or statements which describe
12 goals, policies, or strategies for the physical, social, or
13 economic development of a neighborhood, community, or substate
14 area. Regional or community development plans include
15 comprehensive plans and elements of comprehensive plans,
16 including land use plans, which have been approved by the
17 governing boards of townships, counties, or cities, and also
18 include regional development plans adopted under Minnesota
19 Statutes, section 462.381, where applicable.

20 24. "Slums and blight" means areas or neighborhoods which
21 are characterized by conditions used to describe deteriorated
22 areas in Minnesota Statutes, section 462.421 or which are
23 characterized by the conditions used to describe redevelopment
24 districts in Minnesota Statutes, section 273.73, subdivision 10.

25 25. "Single purpose project" means one or more activities
26 designed to meet a specific housing or public facilities
27 community development need.

28 26. "Urban county" means a county which is located in a
29 metropolitan area and is entitled to receive grants under United
30 States Code, title 42, section 5306 (1981), directly from the
31 United States Department of Housing and Urban Development.

32 10 MCAR S 1.505 Types of competitive grants available.

33 A. Single purpose grants. The office shall approve grants
34 for single purpose projects for funding from a single grant year.
35 The office shall place single purpose grant applications in one
36 of the following categories for purposes of evaluation:

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

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

8 B. Comprehensive grants. The office shall approve
9 comprehensive grants for two or more projects which constitute a
10 comprehensive program. Comprehensive grants shall be approved
11 for funding from one, two, or three grant years. In the case of
12 grants approved for funding from more than one grant year, the
13 office shall make funds available to the grant recipient in the
14 second or third year only after the recipient submits an
15 approved application. Approval shall be subject to a finding by
16 the office that the grant recipient has made normal progress and
17 is in compliance with 10 MCAR SS 1.500-1.565.

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

22 10 MCAR S 1.506 Economic development grants; noncompetitive.

23 The office shall approve grants for economic development
24 projects for funding throughout a single application year, or
25 until the funds reserved have been exhausted.

26 10 MCAR S 1.510 Application process and requirements.

27 A. Grant application manual. The office shall prepare a
28 manual for distribution to eligible applicants no later than 120
29 days before the application closing date for competitive
30 applications. The manual must instruct applicants in the
31 preparation of applications and describe the method by which the
32 office will evaluate and rank applications. If 10 MCAR SS
33 1.500-1.565 are not adopted before September 15, 1982, the
34 120-day period is waived for the 1983 grant year but the office
35 shall make the manual available no later than 60 days before the

1 application closing date.

2 B. Eligibility requirements. Any unit of general purpose
3 local government, including cities, counties, and townships
4 located in a nonentitlement area or electing exclusion from an
5 urban county under United States Code, title 42, section 5302
6 (1981), may apply for a grant. An eligible applicant may apply
7 on behalf of other eligible applicants. Applications submitted
8 on behalf of other applicants must be approved by the governing
9 body of all local governments party to the application. An
10 eligible applicant may apply for only one competitive grant per
11 grant year and no eligible applicant shall be included in more
12 than one competitive application. An eligible applicant may
13 apply for one economic development grant in addition to a
14 competitive grant each application year.

15 C. Disqualification of applicants. Applications from
16 otherwise eligible applicants shall be disqualified where for
17 previously awarded grants under these rules or awarded by the
18 Department of Housing and Urban Development under United States
19 Code, title 42, section 5306 (1981), it is determined by the
20 office that any of the following conditions exist:

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

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

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

31 D. Contents of application. The contents of the application
32 must be consistent with the informational requirements of 10
33 MCAR SS 1.500-1.565 and must be on a form prescribed by the
34 office. The application must be accompanied by:

35 1. an assurance, signed by the chief elected official,
36 that the applicant will comply with all applicable state and

1 federal requirements;

2 2. an assurance signed by the chief elected official
3 certifying that at least one public hearing was held at least
4 ten days but not more than 60 days before submitting the
5 application; and

6 3. a copy of a resolution passed by the governing body
7 approving the application and authorizing execution of the grant
8 agreement if funds are made available.

9 The office may request additional information from the
10 applicant if it is necessary to clarify and evaluate the
11 application.

12 E. Time limit for submitting applications. Competitive
13 applications must be received in the office or postmarked by the
14 closing date. The office shall give notice of the period during
15 which applications will be accepted. The notice must be
16 published in the State Register at least 120 days before the
17 closing date. Economic development project applications may be
18 submitted at any time during the application grant year.

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

25 10 MCAR S 1.515 Evaluation of applications; in general.

26 All applications shall be evaluated by the office. A fixed
27 amount of points shall be established as the maximum score
28 attainable by any application. Points shall be made available
29 within each class of rating criteria in accordance with the
30 percentages and fractions indicated in 10 MCAR SS 1.520-1.545.
31 Economic development project applications must meet threshold
32 criteria in order to be evaluated.

33 10 MCAR S 1.520 Comparison of all competitive applications;
34 general competition.

35 A. Points available. Thirty percent of the total available

1 points shall be awarded by the office based on a general
2 competition involving a comparison of all applications.

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

6 1. the number of poverty persons in the area under the
7 applicant's jurisdiction;

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

10 3. the per capita assessed valuation of the area under
11 the jurisdiction of the applicant, such that points are awarded
12 in inverse relationship to applicants' per capita assessed
13 valuation.

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

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

18 2. adequacy of the applicant's management and financial
19 plan.

20 10 MCAR S 1.525 Comparison of competitive applications within
21 categories.

22 After completing the general competition described in 10
23 MCAR S 1.520, the office shall place each application in the
24 appropriate grant category in accordance with 10 MCAR S 1.505.
25 The categories are housing projects, public facilities projects,
26 and comprehensive programs. Seventy percent of the total points
27 available for each application shall be awarded based on a
28 comparison of the applications within each of the categories as
29 further described in 10 MCAR SS 1.530-1.545.

30 10 MCAR S 1.546 Evaluation of economic development projects.

31 A. In general. Evaluation of economic development
32 applications consists of eligibility threshold screening and
33 project review. Applications must meet the eligibility
34 thresholds in order to be referred for project review.
35 Applications that fail to meet eligibility thresholds may be

1 revised and resubmitted.

2 B. Federal and state eligibility thresholds. Applicants
3 shall provide a description of the ways that activities address
4 one of the federal objectives described in 10 MCAR S 1.500 B.
5 Each activity proposed for funding must be eligible under
6 current federal regulations.

7 Applicants shall describe how they will meet two of the
8 three following thresholds based on state economic development
9 objectives:

- 10 1. creation or retention of permanent private sector jobs;
- 11 2. stimulation or leverage of private investment; or
- 12 3. increase in local tax base.

13 C. Project review. Applications that meet eligibility
14 thresholds will be awarded points by the office based on
15 evaluation of the two rating categories: project design and
16 financial feasibility. Applications must attain at least
17 two-thirds of the total available points for economic
18 development to be recommended for funding. Applications must
19 score at least half of the points available in each of the two
20 rating categories.

21 Two-thirds of the available points will be awarded based on
22 an evaluation of project quality including an assessment of
23 need, impact, and the capacity of the applicant to complete the
24 project in a timely manner. Consideration of need for an
25 economic development project must be based on deficiencies in
26 employment opportunities and circumstances contributing to
27 economic vulnerability and distress. Consideration of impact
28 must be based on the extent to which the project reduces or
29 eliminates the need. Consideration of capacity must be based on
30 demonstration of administrative capability, realistic
31 implementation schedules, and the ability to conform to state
32 and federal requirements.

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33 One-third of the available points will be awarded based on
34 an evaluation of the effective use of program funds to induce
35 economic development. Consideration of financial feasibility
36 must include investment analysis, commitment of other funds, and

1 other factors relating to the type of program assistance
 2 requested. ~~Consideration-of-need-for-an-economic-development~~
 3 ~~project-must-be-based-on-deficiencies-in-employment~~
 4 ~~opportunities-and-circumstances-contributing-to-economic~~
 5 ~~vulnerability-and-distress.--Consideration-of-impact-must-be~~
 6 ~~based-on-the-extent-to-which-the-project-reduces-or-eliminates~~
 7 ~~the-need.--Consideration-of-capacity-must-be-based-on~~
 8 ~~demonstration-of-administrative-capability,-realistic~~
 9 ~~implementation-schedules,-and-the-ability-to-conform-to-state~~
 10 ~~and-federal-requirements.~~

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11 D. Funding recommendations. Applications that attain at
 12 least two-thirds of the available points will be recommended to
 13 the commissioner for funding. Applications not recommended for
 14 funding may be revised and resubmitted.

15 10 MCAR S 1.550 Determination of grant awards.

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

25 B. Division of funds.

26 1. Of the funds available for grants in each grant year,
 27 30 percent shall be reserved by the office to fund single
 28 purpose grants, 15 percent shall be reserved for economic
 29 development grants, and 55 percent shall be reserved by the
 30 office to fund comprehensive grants, including the second and
 31 third years of comprehensive grants approved for funding under
 32 10 MCAR S 1.505 and 10 MCAR S 1.545. However, the office may
 33 modify the proportions of funds available for single purpose and
 34 comprehensive grants if, after review of all applications, it
 35 determines that there is a shortage of fundable applications in
 36 either category.

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

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

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

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

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

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

- 1 grant years. No economic development grant may be approved for
- 2 an amount over \$500,000.
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- 4 Repealer. 10 MCAR S 1.540 is repealed.