

CHAPTER 4300
DEPARTMENT OF ENERGY, PLANNING AND
DEVELOPMENT
PLANNING DIVISION
RULES GOVERNING SMALL CITIES COMMUNITY
BLOCK GRANTS

NOTE: Under Laws of Minnesota 1983, chapter 289, section 48, this chapter of Minnesota Rules shall be administered by the State Planning Agency. Thus, references to the Department of Energy, Planning and Development, or to its divisions, should be read as intending the State Planning Agency.

4300.0100	DEFINITIONS.	4300.1600	EVALUATION OF HOUSING PROJECTS.
4300.0200	PURPOSE.	4300.1700	EVALUATION OF PUBLIC FACILITIES PROJECTS.
4300.0300	OBJECTIVE OF PROGRAM.	4300.1800	EVALUATION OF ECONOMIC DEVELOPMENT PROJECTS.
4300.0400	APPLICATION OF FEDERAL LAW. GRANT APPLICATION, EVALUATION, AND DETERMINATION	4300.1900	EVALUATION OF COMPREHENSIVE PROGRAM PROJECTS.
4300.1100	TYPES OF GRANTS AVAILABLE.	4300.2000	DETERMINATION OF GRANT AWARDS.
4300.1200	APPLICATION PROCESS AND REQUIREMENTS.		CONTRACTS AND RECORDS
4300.1300	EVALUATION OF APPLICATIONS.	4300.3100	GRANT AGREEMENTS.
4300.1400	COMPARISON OF APPLICATIONS AND GENERAL COMPETITION.	4300.3200	RECORD KEEPING AND MONITORING.
4300.1500	COMPARISON OF APPLICATIONS WITHIN CATEGORIES.		

4300.0100 DEFINITIONS.

Subpart 1. **Scope.** As used in parts 4300.0100 to 4300.3200, the following terms have the meanings given them.

Subp. 2. **Community development need.** "Community development need" means a demonstrated deficiency in housing stock, public facilities, economic opportunities, or other services which are necessary for developing or maintaining viable communities.

Subp. 3. **Comprehensive program.** "Comprehensive program" means a combination of at least two interrelated projects that are designed to address community development needs that by their nature require a coordination of housing, public facilities, or economic development activities. A comprehensive program must be designed to benefit a defined geographic area, otherwise known as a program area.

Subp. 4. **Eligible activities.** "Eligible activities" means those activities so designated in United States Code, title 42, section 5305 (1981) and as described in Code of Federal Regulations, title 24, sections 570.200 to 570.207 (1981).

Subp. 5. **General purpose local government.** "General purpose local government" means townships, as described in Minnesota Statutes, chapter 365; cities, as described in Minnesota Statutes, chapters 410 and 412; and counties.

Subp. 6. **Grant.** "Grant" means an agreement between the state and an eligible recipient through which the state provides funds to carry out specified programs, services, or activities.

Subp. 7. **Grant close-out.** "Grant close-out" means the process by which the office determines that all applicable administrative actions and all required work have been completed by the grant recipient and the department.

Subp. 8. **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 office solicits applications and makes grant awards.

MINNESOTA RULES 1983

3121

RULES GOVERNING SMALL CITIES GRANTS 4300.0100

Subp. 9. **Infrastructure.** "Infrastructure" means the basic physical systems, structures, and facilities, such as roads, bridges, water, and sewer, which are necessary to support a community.

Subp. 10. **Low and moderate income.** "Low and moderate income" means income that does not exceed 80 percent of the median income for the area, with adjustments for smaller and larger families.

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

Subp. 12. **Nonentitlement area.** "Nonentitlement area" means an area that is not a metropolitan city or part of an urban county.

Subp. 13. **Office.** "Office" means the Office of Local Government in the Department of Energy, Planning and Development.

Subp. 14. **Per capita assessed valuation.** "Per capita assessed valuation" means the adjusted assessed valuation divided by population.

Subp. 15. **Population.** "Population" means the number of persons who are residents in a county, city, or township as established by the last federal census, by a census taken pursuant to Minnesota Statutes, section 275.53, subdivision 2, by a population estimate made by the Metropolitan Council, or by the population estimate of the state demographer made under Minnesota Statutes, section 4.12, subdivision 7, clause (10), whichever is most recent as to the stated date of count or estimate, up to and including the most recent July 1.

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

Subp. 17. **Program.** "Program" means the community development block grant program for nonentitlement areas.

Subp. 18. **Program area.** "Program area" means a defined geographic area within which an applicant has determined that, based on community plans or other studies, there exists a need for community development activities. A program area may be a neighborhood in a community or an entire community.

Subp. 19. **Program income.** "Program income" means gross income earned by the grant recipient from grant-supported activities, excluding interest earned on advances.

Subp. 20. **Project.** "Project" means one or more activities designed to meet a specific community development need.

Subp. 21. **Regional or community development plans.** "Regional or community development plans" means written documents, resolutions, or statements that describe goals, policies, or strategies for the physical, social, or economic development of a neighborhood, community, or substate area. Regional or community development plans include comprehensive plans and elements of comprehensive plans, including land use plans, which have been approved by the governing boards of townships, counties, or cities, and also include regional development plans adopted under Minnesota Statutes, section 462.381, where applicable.

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

Subp. 23. **Single-purpose project.** "Single-purpose project" means one or more activities designed to meet a specific community development need.

Subp. 24. **Urban county.** "Urban county" means a county that is located in a metropolitan area and is entitled to receive grants under United States Code, title 42, section 5306 (1981), directly from the United States Department of Housing and Urban Development.

Statutory Authority: *MS s 116J.44; 116J.45*

4300.0200 PURPOSE.

Parts 4300.0100 to 4300.3200 give procedures for evaluating applications for grants and awarding them to eligible applicants by the Department of Energy, Planning and Development under United States Code, title 42, sections 5301 to 5136 (1981), and regulations adopted in Code of Federal Regulations, title 24, part 570.

Statutory Authority: *MS s 116J.44; 116J.45*

4300.0300 OBJECTIVE OF PROGRAM.

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

- A. benefit low- and moderate-income persons;
- B. prevent or eliminate slums and blight; or
- C. alleviate urgent community development needs caused by existing conditions that pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet those needs.

Statutory Authority: *MS s 116J.44; 116J.45*

4300.0400 APPLICATION OF FEDERAL LAW.

If it is determined that any provisions of parts 4300.0100 to 4300.3200 are inconsistent with federal law, then federal law controls to the extent necessary to eliminate the conflict.

Statutory Authority: *MS s 116J.44; 116J.45*

GRANT APPLICATION, EVALUATION, AND DETERMINATION

4300.1100 TYPES OF GRANTS AVAILABLE.

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

- A. housing projects that include one or more activities designed to increase the supply or quality of dwellings suited to the occupancy of individuals and families;
- B. public facilities projects that include one or more activities designed to acquire, construct, reconstruct, or install buildings or infrastructure which serve a neighborhood area or community; or
- C. economic development projects that include one or more activities designed to create new employment, maintain existing employment, or otherwise increase economic activity in a community.

Subp. 2. **Comprehensive grants.** The office shall approve comprehensive grants for two or more projects which constitute a comprehensive program. Comprehensive grants shall be approved for funding from one, two, or three grant years. In the case of grants approved for funding from more than one

MINNESOTA RULES 1983

3123

RULES GOVERNING SMALL CITIES GRANTS 4300.1200

grant year, the office shall make funds available to the grant recipient in the second or third year only after the recipient submits an approved application. Approval shall be subject to a finding by the office that the grant recipient has made normal progress and is in compliance with parts 4300.0100 to 4300.3200.

Subp. 3. **Previous grant commitments.** The provisions of subpart 2 apply to three-year comprehensive grant commitments made by the United States Department of Housing and Urban Development in 1981 under United States Code, title 42, section 5306 (1980).

Statutory Authority: *MS s 116J.44; 116J.45*

4300.1200 APPLICATION PROCESS AND REQUIREMENTS.

Subpart 1. **Grant application manual.** The office shall prepare a manual for distribution to eligible applicants no later than 120 days before the application closing date. The manual must instruct applicants in the preparation of applications and describe the method by which the office will evaluate and rank applications. If parts 4300.0100 to 4300.3200 are not adopted before September 15, 1982, the 120-day period is waived for the 1983 grant year but the office shall make the manual available no later than 60 days before the application closing date.

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 apply for only one grant per grant year and no eligible applicant shall be included in more than one application.

Subp. 3. **Disqualification of applicants.** Applications from otherwise eligible applicants shall be disqualified where for previously awarded grants under these rules or awarded by the Department of Housing and Urban Development under United States Code, title 42, section 5306 (1981), it is determined by the office 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 application.** The contents of the application must be consistent with the informational requirements of parts 4300.0100 to 4300.3200 and must be on a form prescribed by the office. The application must be accompanied by:

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

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

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

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

MINNESOTA RULES 1983

4300.1200 RULES GOVERNING SMALL CITIES GRANTS

3124

Subp. 5. **Time limit for submitting applications.** Applications must be received in the office or postmarked by the closing date. The office shall give notice of the period during which applications will be accepted. The notice must be published in the State Register at least 120 days before the closing date.

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 473.171, respectively.

Statutory Authority: *MS s 116J.44; 116J.45*

4300.1300 EVALUATION OF APPLICATIONS.

All applications shall be evaluated by the office. 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 in accordance with the percentages and fractions indicated in part 4300.1400 to 4300.1900.

Statutory Authority: *MS s 116J.44; 116J.45*

4300.1400 COMPARISON OF APPLICATIONS AND GENERAL COMPETITION.

Subpart 1. **Points available.** Thirty percent of the total available points shall be awarded by the office based on a general competition involving a comparison of all applications.

Subp. 2. **Evaluation of community need.** Two-thirds of the points in the general competition shall be awarded based on evaluation of community need, which shall include:

- A. the number of poverty persons in the area under the applicant's jurisdiction;
- B. the percentage of persons resident in the area under the applicant's jurisdiction who are poverty persons; and
- C. the per capita assessed valuation of the area under the jurisdiction of the applicant, such that points are awarded in inverse relationship to applicants' per capita assessed valuation.

Subp. 3. **Evaluation of other factors.** One-third of the points in the general competition shall be awarded based on evaluation of:

- A. the extent to which the proposed activities are compatible with regional or community development plans; and
- B. adequacy of the applicant's management and financial plan.

Statutory Authority: *MS s 116J.44; 116J.45*

4300.1500 COMPARISON OF APPLICATIONS WITHIN CATEGORIES.

After completing the general competition described in part 4300.1400, the office shall place each application in the appropriate grant category in accordance with part 4300.1100. The categories are housing projects, public facilities projects, economic development projects, and comprehensive programs. Seventy percent of the total 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.44; 116J.45*

MINNESOTA RULES 1983

3125

RULES GOVERNING SMALL CITIES GRANTS 4300.1700

4300.1600 EVALUATION OF HOUSING PROJECTS.

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

A. housing units that are occupied by low- and moderate-income persons and are either substandard or pose a threat to the health or safety of the occupants;

B. an inadequate supply of affordable housing for low- or moderate-income persons; or

C. other documented conditions that give evidence of the need for improvements or additions to the housing stock serving low- and moderate-income persons.

Subp. 2. **Project impact.** Three-sevenths of the points available in the housing category competition shall be awarded by the office based on evaluation of the extent to which the proposed activities will eliminate or reduce the need for improvements or additions to the housing stock serving low- and moderate-income persons.

Subp. 3. **Project cost-effectiveness.** One-seventh of the points available in the housing category competition shall be awarded by the office based on:

A. evaluation of the extent to which the proposed activities will make cost-effective and efficient 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.44; 116J.45*

4300.1700 EVALUATION OF PUBLIC FACILITIES PROJECTS.

Subpart 1. **Project need.** Three-sevenths of the points available in the public facilities category competition shall be awarded by the office 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.** Three-sevenths of the points available in the public facilities category competition shall be awarded by the office 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.** One-seventh of the points available in the public facilities category competition shall be awarded by the office based on evaluation of the extent to which the proposed activities will make cost-effective and efficient use of grant funds, including consideration of:

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

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

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

Statutory Authority: *MS s 116J.44; 116J.45*

4300.1800 EVALUATION OF ECONOMIC DEVELOPMENT PROJECTS.

Subpart 1. **Project need.** Three-sevenths of the points available in the economic development category competition shall be awarded by the office based on evaluation of the applicant's need for economic development assistance, as evidenced by:

- A. long-term employment problems;
- B. unusual dependence on a small number of industries or employers;

or

C. other documented conditions that give evidence of reasonable need for economic development assistance.

Subp. 2. **Project impact.** Three-sevenths of the points available in the economic development category competition shall be awarded by the office based on evaluation of the extent to which the proposed activities will benefit low- and moderate-income persons and will reduce or eliminate the need identified under subpart 1, and shall include consideration of:

- A. the immediacy of the project's impact;
- B. the beneficial effect on personal income in the area;
- C. the extent to which the proposed activities are reasonably expected to result in long-term improvement in the economic base of the area; and
- D. the number and quality of permanent jobs created or maintained.

Subp. 3. **Project cost-effectiveness.** One-seventh of the points available in the economic development category competition shall be based on evaluation of the extent to which the proposed activities will make cost-effective and efficient use of grant funds, including consideration of:

- A. the cost per job created or maintained;
- B. coordination with, and use of, other public and private funds; and
- C. the economic viability of any business being assisted.

Statutory Authority: *MS s 116J.44; 116J.45*

4300.1900 EVALUATION OF COMPREHENSIVE PROGRAM PROJECTS.

Subpart 1. **Program need.** Three-sevenths of the points available in the comprehensive program category competition shall be awarded by the office based on evaluation of need for the proposed comprehensive program, including consideration of:

- A. the number of low- and moderate-income persons in the program area;
- B. the percentage of residents in the program area which are of low or moderate income; and
- C. the need for the proposed comprehensive program as evidenced by at least two of the following: the need for improvements or additions to the housing stock serving low- and moderate-income persons, the need for new or improved public facilities in the program area, or employment problems in the program area.

Subp. 2. **Program impact.** Three-sevenths of the points available in the comprehensive program category competition shall be awarded by the office 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.** One-seventh 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 and efficient use of grant funds, including consideration of coordination with, and use of, funds from other public and private sources.

Statutory Authority: *MS s 116J.44; 116J.45*

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 (1981), after subtracting an amount for costs incurred by the office for administration of the program, as allowed by that law. The office is not liable for any grants under parts 4300.0100 to 4300.3200 until funds are received from the United States Department of Housing and Urban Development.

Subp. 2. **Division of funds.** Of the funds available for grants in each grant year, 45 percent shall be reserved by the office to fund single-purpose grants, and 55 percent shall be reserved by the office to fund comprehensive grants, including the second and third years of comprehensive grants approved for funding under parts 4300.1100, subparts 2 and 3, and 4300.1900. However, the office 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 20 percent of the funds made available for single-purpose grants shall be awarded for applications in each of the three categories: housing, public facilities, and economic development. However, no application with a rating below the median score for its category shall be funded by the office solely for the purpose of meeting this requirement.

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 highest score in the general competition 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 office 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 office may recommend an application for funding in an amount less than requested if, in the opinion of the office, 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.

Subp. 6. **Grant ceilings.** No single-purpose grant may be approved for an amount over \$600,000. No comprehensive grant may be approved for an amount over \$700,000 from any single grant year or for more than a total of \$1,400,000 over three grant years.

Statutory Authority: *MS s 116J.44; 116J.45*

CONTRACTS AND RECORDS**4300.3100 GRANT AGREEMENTS.**

Subpart 1. **Grant contract required.** A grant contract shall be offered to each applicant whose application is approved for funding. The contract must be signed by a person authorized to commit the applicant to legally binding agreements and to execute the contract.

Subp. 2. **Contents of grant contract.** The grant contract must include:

A. a work program that indicates completion dates for major parts of the project and a projected budget supporting the work program;

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

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

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 project-related costs within 12 months from the time it is earned. The office 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.

Subp. 4. **Grant account required.** Grant recipients must establish and maintain separate accounts for grant funds. In accordance with Code of Federal Regulations, title 24, section 570.494, clause 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. 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 office will take whatever action is necessary to recover improperly spent funds.

Subp. 6. **Suspension of payments.** The office 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.

Subp. 7. **Amendments to the agreement.** Amendments to the grant agreement must be in writing.

Statutory Authority: *MS s 116J.44; 116J.45*

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 office under the responsibilities it assumes under Code of Federal Regulations, title 24, section 570.497, clause 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.

Subp. 2. **Audits.** Grant recipients must arrange for and pay for an audit before grant close-out. Audits will usually be done annually, but no less frequently than every two years. In the case of two- and three-year comprehensive programs, the office shall require an audit after two years; costs incurred pursuant to this requirement are eligible under this program.

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

MINNESOTA RULES 1983

3129

RULES GOVERNING SMALL CITIES GRANTS 4300.3200

Subp. 5. **Access to records.** Representatives of the office, 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.44; 116J.45*