

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

Our File No. 912

RULE REVIEW CHECKLIST

DATE RULE RECEIVED 11-1-83
DATE FOR REVIEW 11-10-83
DATE DUE 11-15-83

Adopted w/a hearing _____
Adopted w/o hearing ✓
Temporary rule _____

Approved 11-10-83 mjc Disapproved _____ Returned to Agency _____

Resubmitted _____ Due _____
Approved _____ Disapproved _____ Returned to Agency _____

Date filed w/Secretary of State _____ Revisor approved _____ disapproved _____

✓ Rule as Adopted

✓ Rule as Proposed

✓ Order Adopting 10.27.83 Date contains misitation to authorizing session law.

N/A Notice of Intent to Solicit Outside Opinion

✓ Order for rulemaking
N/A date of Hearing

N/A Certificate of Board's Authorizing Resolution

✓ Notice of rulemaking
✓ Sufficiency same misitation

✓ Affidavit of Mailing Notice or rulemaking
9.21.83 At least 30 days prior to ~~hearing~~/adoption

✓ Mailing list Certificate

✓ Publication in State Register same misitation
_____ At least 30/~~20~~ days prior to ~~hearing~~/adoption

N/A Hearing Examiner's Report

Chief Hearing Examiner's Report(s)
_____ Approving H.E.'s Report
_____ Approving agency action

✓ Agency's Findings of Fact

N/A LCRAR Report or agency Affidavit

Certificate of Board's Resolution Adopting Rules

✓ Order Approving Incorporation by Reference

✓ Statement of Need and Reasonableness

N/A Petition for Adoption of a Rule

✓ Record (includes transcript or tape, exhibits, comments received by agency, requests for a hearing, and other relevant materials)

✓ Certificate of Compliance w/Rulemaking Procedures

N/A Affidavit of Mailing Notice of Submission to Attorney General

✓ Notice of Submission to the Attorney General

MINNESOTA DEPARTMENT OF ENERGY
AND ECONOMIC DEVELOPMENT

COMMUNITY DEVELOPMENT DIVISION
940 AMERICAN CENTER BUILDING
150 EAST KELLOGG BOULEVARD
ST. PAUL, MINNESOTA 55101
(612) 296-5005

October 27, 1983

Mr. Hubert H. Humphrey III
Attorney General
State of Minnesota
Room 122 State Capitol
St. Paul, MN 55155

RE: Rules and Amendments for the Minnesota Small Cities Community Development Grant Program

Dear Mr. Humphrey:

The enclosed materials are submitted for your consideration in accordance with Minnesota Statutes Section 14.26. No persons have requested to be informed that these materials have been submitted to your office.

Your timely review and approval will be appreciated. Thank you.

Sincerely,

Robert F. Benner
Assistant Commissioner

RFB:pp

Encl.

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SF-00006-02

STATE OF MINNESOTA

DEPARTMENT ATTORNEY GENERAL

Office Memorandum

TO : MARK B. DAYTON, Commissioner

DATE: 11/10/83

Attn: CHRISTIE B. ELLER, Special Assistant Attorney General

FROM : MARTHA J. CASSERLY
Special Assistant
Attorney General

PHONE: 296-4347

SUBJECT: In the Matter of the Proposed Adoption and Amendments of Rules of the State Department of Energy and Economic Development Governing the Administration of the Community Development Block Grant Program.

Enclosed herewith are the rules you have submitted for approval. These rules have been approved by this office and filed with the Secretary of State. Please note that they have not been filed with the State Register. This must be done promptly by your agency.

Upon receipt and before transmittal to your agency, however, it is important that you recheck these rules as to:

1. Affixation of stamps of the Attorney General and Secretary of State;

2. Coverage by these stamps of all rules submitted; and

3. Inclusion of all pages to the rules in the approved set.

If you have any questions in this regard, please contact me.

Encs.
MJC/ls
cc: Ms. Kathy Burek
Mr. Duane Harves

Department of Energy and Economic Development
Community Development Division

AG. copy

Adopted Rules Governing the Community Development Block Grant Program

Rules as Adopted

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

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

B. Objective of the 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:

1. benefit low- and moderate-income persons;

2. prevent or eliminate slums and blight; or

3. alleviate urgent community development needs caused by existing conditions which 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.

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

1. "Application year" means the federal fiscal year beginning October 1 and ending September 31.

2. "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.

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

4. "Comprehensive program" means a combination of at least two interrelated projects which are designed to address community development needs which 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.

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

6. "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 570.200-570.207 (1981).

7. "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.

8. "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.

9. "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.

10. "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 State Code, title 42, sections 5301-5316 (1981), and includes the period of time during which the office solicits applications and makes

grant awards.

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

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

13. "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.

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

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

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

17. "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 116J.42, 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.

18. "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.

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

20. "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.

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

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

23. "Regional or community development plans" means written documents, resolutions, or statements which 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.

24. "Slums and blight" means areas or neighborhoods which 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.

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

26. "Urban county" means a county which 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.

10 MCAR S 1.505 Types of competitive grants available.

A. 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:

1. 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

2. 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.

B. 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 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 10 MCAR SS 1.500-1.565.

C. Previous grant commitments. The provisions of B. 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).

10 MCAR S 1.506 Economic development grants; noncompetitive.

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

10 MCAR S 1.510 Application process and requirements.

A. Grant application manual. The office shall prepare a manual for distribution to eligible applicants no later than 120 days before the application closing date for competitive applications. The manual must instruct applicants in the preparation of applications and describe the method by which the office will evaluate and rank applications. If 10 MCAR SS 1.500-1.565 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.

B. 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 competitive grant per grant year and no eligible applicant shall be included in more than one competitive application. An eligible applicant may apply for one economic development grant in addition to a competitive grant each application year.

C. 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:

1. 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;

2. 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

3. 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.

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

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

federal requirements;

2. 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 60 days before submitting the application; and

3. 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.

E. Time limit for submitting applications. Competitive 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. Economic development project applications may be submitted at any time during the ~~application~~ grant year. FofF. 1

F. 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.

10 MCAR S 1.515 Evaluation of applications; in general.

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 10 MCAR SS 1.520-1.545. Economic development project applications must meet threshold criteria in order to be evaluated.

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

A. 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.

B. 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:

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

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

3. 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.

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

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

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

10 MCAR S 1.525 Comparison of competitive applications within categories.

After completing the general competition described in 10 MCAR S 1.520, the office shall place each application in the appropriate grant category in accordance with 10 MCAR S 1.505. The categories are housing projects, public facilities 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 10 MCAR SS 1.530-1.545.

10 MCAR S 1.546 Evaluation of economic development projects.

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

revised and resubmitted.

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

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

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

C. Project review. Applications that meet eligibility thresholds will be awarded points by the office based on evaluation of the two rating categories: project design and financial feasibility. Applications must attain at least two-thirds of the total 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.

Two-thirds of the available 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.

One-third of the available 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. ~~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.~~

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

10 MCAR S 1.550 Determination of grant awards.

A. 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 10 MCAR SS 1.500-1.565 until funds are received from the United States Department of Housing and Urban Development.

B. Division of funds.

1. Of the funds available for grants in each grant year, 30 percent shall be reserved by the office to fund single purpose grants, 15 percent shall be reserved for economic development 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 10 MCAR S 1.505 and 10 MCAR S 1.545. 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.

2. 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 office solely for the purpose of meeting this requirement.

3. 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.

C. Funding list. Within each grant category, a list of applications shall be prepared in rank order of the scores received after evaluation pursuant to 10 MCAR SS 1.515-1.545. 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.

D. 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.

E. 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.

F. Grant ceilings. No competitive 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. No economic development grant may be approved for an amount over $500,000.

Repealer. 10 MCAR S 1.540 is repealed.

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
NOV 14 1983
Joan Anderson Growe
Secretary of State
2:02 PM

APPROVED AS TO FORM AND LEGALITY
November 10 1983
HUBERT H. HUMPHREY, III
ATTORNEY GENERAL
BY Martha J Cassedy
SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA

DEPARTMENT OF ENERGY AND ECONOMIC DEVELOPMENT

In the Matter of the Proposed Adoption and Amendment of Rules of the State Department of Energy and Economic Development Governing the Administration of the Community Development Block Grant Program

ORDER ADOPTING RULES

Notice of the Commissioner's intent to adopt the above-entitled rules without a public hearing was published in the State Register on September 26, 1983 and was sent by United States mail to all persons on the list maintained by the agency pursuant to Minnesota Statutes Section 14.14, Subdivision 1 on September 21, 1983. After affording interested and affected persons an opportunity to submit comments for 30 days after Notice, receiving fewer than seven written requests for a public hearing with the 30-day comment period, reviewing and considering the comments, and determining the need for and reasonableness of the above-captioned rules.

NOW, THEREFORE, IT IS ORDERED that these rules identified as the Community Development Block Grant Program are adopted this 27th day of October, 1983, pursuant to authority vested in me by Minnesota Statutes, Sections 116J.42 and 116J.45 (1982), as amended by Minnesota Laws 1983, Chapter 289, Section 50, Subdivision 115. This authority has been transferred from the State Planning Agency to the Department of Energy and Economic Development pursuant to Reorganization Order 129 issued pursuant to Minnesota Statutes, 1982, Section 16.125.

STATE OF MINNESOTA

Mark B. Dayton, Commissioner
Department of Energy and Economic Development

STATE OF MINNESOTA

DEPARTMENT OF ENERGY AND ECONOMIC DEVELOPMENT

In the Matter of the Proposed Adoption and Amendments to Rules of the State Department of Energy and Economic Development Governing the Community Development Block Grant Program.

ORDER FOR NOTICE OF INTENT TO ADOPT AND AMEND RULES WITHOUT PUBLIC HEARING

IT IS ORDERED this 21st day of September, 1983 that a Notice of Intent to Adopt and Amend Rules Without Public Hearing in the above-entitled matter be given to all persons who have registered their names with the State Department of Energy and Economic Development for that purpose and be published in the State Register.

STATE OF MINNESOTA

Mark B. Dayton, Commissioner
Department of Energy and Economic Development

THIS IS A COPY OF THE INFORMATI
SENT TO PERSONS ON THE AGENCY LIS

Department of Energy and Economic Development

Division of Community Development

In the Matter of the Proposed Adoption and Amendment of Rules of the State Department of Energy and Economic Development Governing the Community Development Block Grant Program

Notice of Intent to Adopt and Amend Rules Without A Public Hearing

Notice is hereby given that the State Department of Energy and Economic Development proposes to adopt and amend the above-entitled rules without a public hearing. The Commissioner has determined that the proposed adoption and amendment of these rules will be noncontroversial in nature and has elected to follow the procedures set forth in Minnesota Statutes Section 14.21 to 14.28 (1982), as amended.

Persons interested in these rules and amendments shall have 30 days to submit comments on the proposed rules and amendments. The proposed rules and amendments may be modified if the modifications are supported by the date and views submitted to the agency and do not result in a substantial change in the proposed language.

Unless seven or more persons submit written requests for a public hearing on the proposed rules and amendments within the 30-day comment period, a public hearing will not be held. In the event a public hearing is required, the agency will proceed according to the provisions of Minnesota Statutes Section 14.21 to 14.28 (1982), as amended.

Persons who wish to submit comments or a written request for a public hearing should submit such comments to request to:

D. Beigbeder, Department of Energy and Economic Development
100 Hanover Building, 480 Cedar Street, St. Paul, Minnesota 55101
(612) 296-2262

Authority for the adoption of these rules is contained in Minnesota Statutes Section 116J.42 and 116J.45 (1982) as amended by Minnesota Laws 1983, Chapter 289, Section 50, Subdivision 115. This authority has been transferred from the State Planning Agency to the Department of Energy and Economic Development pursuant to

Reorganization Order No. 129 issued pursuant to Minnesota Statutes, 1982, Section 16.125. Additionally, a Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rules and amendments and identifies the data and information relied upon to support the proposed rules and amendments has been prepared and is available from D. Beigbeder upon request.

Upon adoption of the final rules and amendments without a public hearing, the proposed rules and amendments, this Notice, the Statement of Need and Reasonableness, all written comments received, and the final Rules and Amendments as Adopted will be delivered to the Attorney General for review as to form and legality, including the issue of substantial change. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the final rules and amendments as proposed for adoption, should submit a written statement of such request to D. Beigbeder at the address listed above.

(A copy of the proposed rules and amendments is attached to this Notice.)

Copies of this Notice and the proposed rules and amendments are available and may be obtained by contacting D. Beigbeder either in writing or by telephone.

STATE OF MINNESOTA

Mark B. Dayton

Mark B. Dayton, Commissioner
Department of Energy and Economic Development

Rules as Proposed

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

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

B. Objective of the 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:

1. benefit low- and moderate-income persons;

2. prevent or eliminate slums and blight; or

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

1. "Application year" means the federal fiscal year beginning October 1 and ending September 31.

2. "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.

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

~~2.~~ 4. "Comprehensive program" means a combination of at least two interrelated projects which are designed to address

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community development needs which 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.

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REVISED BY THE REVISOR OF STATUTES OFFICE BY:

adjustments for smaller and larger families.

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~~11.~~ 14. "Nonentitlement area" means an area that is not a metropolitan city or part of an urban county.

~~12.~~ 15. "Office" means the office ~~of Local Government~~ or division in the Department of Energy~~,~~ ~~Planning~~ and Economic Development to which the program is assigned.

~~13.~~ 16. "Per capita assessed valuation" means the adjusted assessed valuation divided by population.

~~14.~~ 17. "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~~ 116J.42, 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.

~~15.~~ 18. "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.

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APPROVED BY THE REVISOR OF STATUTES

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~~20.~~ 23. "Regional or community development plans" means written documents, resolutions, or statements which 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.

~~21.~~ 24. "Slums and blight" means areas or neighborhoods which 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.

~~22.~~ 25. "Single purpose project" means one or more activities designed to meet a specific housing or public facilities community development need.

~~23.~~ 26. "Urban county" means a county which 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.

10 MCAR S 1.505 Types of competitive grants available.

A. 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:

1. 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

2. public facilities projects which include one or more activities designed to acquire, construct, reconstruct, or

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install buildings or infrastructure which serve a neighborhood area or community; ~~or~~

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

B. 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 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 10 MCAR SS 1.500-1.565.

C. Previous grant commitments. The provisions of B. 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).

10 MCAR S 1.506 Economic development grants; noncompetitive.

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

10 MCAR S 1.510 Application process and requirements.

A. Grant application manual. The office shall prepare a manual for distribution to eligible applicants no later than 120 days before the application closing date for competitive applications. The manual must instruct applicants in the preparation of applications and describe the method by which the office will evaluate and rank applications. If 10 MCAR SS 1.500-1.565 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.

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B. 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 competitive grant per grant year and no eligible applicant shall be included in more than one competitive application. An eligible applicant may apply for one economic development grant in addition to a competitive grant each application year.

C. 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:

1. 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;

2. 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

3. 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.

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

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

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2. 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~~ 60 days before submitting the application; and

3. 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.

E. Time limit for submitting applications. Competitive 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. Economic development project applications may be submitted at any time during the application year.

F. 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.

10 MCAR S 1.515 Evaluation of applications; in general.

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 10 MCAR SS 1.520-1.545. Economic development project applications must meet threshold criteria in order to be evaluated.

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

A. Points available. Thirty percent of the total available points shall be awarded by the office based on a general

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competition involving a comparison of all applications.

B. 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:

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

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

3. 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.

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

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

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

10 MCAR S 1.525 Comparison of <u>competitive</u> applications within categories.

After completing the general competition described in 10 MCAR S 1.520, the office shall place each application in the appropriate grant category in accordance with 10 MCAR S 1.505. 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 10 MCAR SS 1.530-1.545.

<u>10 MCAR S 1.546 Evaluation of economic development projects.</u>

<u>A. In general. Evaluation of economic development applications consists of eligibility threshold screening and project review. Applications must meet the eligibility thresholds in order to be referred for project review. Applications that fail to meet eligibility thresholds may be</u>

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revised and resubmitted.

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

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

1. creation or retention of permanent private sector jobs;

2. stimulation or leverage of private investment; or

3. increase in local tax base.

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

Two-thirds of the available 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.

One-third of the available 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. 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

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implementation schedules, and the ability to conform to state and federal requirements.

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

10 MCAR S 1.550 Determination of grant awards.

A. 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 10 MCAR SS 1.500-1.565 until funds are received from the United States Department of Housing and Urban Development.

B. Division of funds.

1. Of the funds available for grants in each grant year, ~~45~~ 30 percent shall be reserved by the office to fund single purpose grants, 15 percent shall be reserved for economic development 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 10 MCAR S 1.505 ~~B, and C,~~ and 10 MCAR S 1.545. 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.

2. At least ~~20~~ 30 percent of the funds made available for single purpose grants shall be awarded for applications in each of the ~~three~~ two categories: housing, and 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.

3. If there are unawarded economic development funds available at the end of the application year, two-thirds of the

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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.

C. Funding list. Within each grant category, a list of applications shall be prepared in rank order of the scores received after evaluation pursuant to 10 MCAR SS 1.515-1.545. 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.

D. 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.

E. 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.

F. Grant ceilings. No competitive 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. No economic development grant may be approved for an amount over $500,000.

Repealer. 10 MCAR S 1.540 is repealed.

APPROVED BY THE REVISOR OF STATUTES OFFICE BY:

OFFICE OF THE REVISOR OF STATUTES

Proposed Rule

RD422

Agency: Department of Energy and Economic Development

Division:

Agency Contact: Denise Beigbeder 6-2262

Rule Numbers: 10 MCAR SS 1.500; 1.505; 1.506; 1.510; 1.515; 1.520; 1.525; 1.546; 1.550; repealing 10 MCAR S 1.540

Title: Proposed Amendments to Rules Governing Small Cities Community Block Grant Program and Repealing 10 MCAR S 1.540

Type of Rules: Permanent

Incorporations by Reference: None

Duplication of Statutory Language: None

The attached rules are approved as to form.

Steven C. Cross
Revisor of Statutes

Maryanne V. Hruby
Assistant Revisor
Phone: 297-2948
Date: September 9, 1983

IN THE MATTER OF ADOPTION AND
AMENDMENTS TO THE RULES OF THE
DEPARTMENT OF ENERGY AND ECONOMIC
DEVELOPMENT RELATING TO THE
COMMUNITY DEVELOPMENT BLOCK
GRANT PROGRAM.

STATE OF MINNESOTA
COUNTY OF RAMSEY

AFFIDAVIT OF MAILING

I, Robert F. Benner, being first duly sworn, deposes and says:

That on the 21st day of September, 1983, at the City of St. Paul, County of Ramsey, State of Minnesota, he served the attached Notice of Intent to Adopt and Amend Rules without Public Hearing by depositing in the Minnesota Central Mail System for U.S. mailing (or U.S. mail) at said City of St. Paul, a copy thereof, properly enveloped, with postage prepaid, on all persons and associations who have requested that their names be placed on file with the Department of Energy and Economic Development for the purpose of receiving notice of the proposed adoption and amendments of rules by this Notice of Intent to Adopt and Amend Rules without a Public Hearing.

R. F. Benner

Assistant Commissioner

Subscribed and sworn to me
this 23rd day of September, 1983.

Bonnie S. Burt

Notary Public

BONNIE S. BURT
NOTARY PUBLIC — MINNESOTA
RAMSEY COUNTY
My commission expires Aug. 23, 1989

STATE OF MINNESOTA
COUNTY OF RAMSEY

CERTIFICATE

IN THE MATTER OF THE PROPOSED
ADOPTION AND AMENDMENTS TO
RULES OF THE DEPARTMENT OF
ENERGY AND ECONOMIC DEVELOPMENT
RELATING TO THE COMMUNITY
DEVELOPMENT BLOCK GRANT PROGRAM.

I certify that the list of persons, associations and other interested groups who have requested, pursuant to Minn. Stat. 14.22 (14.14 subd. 1) that their names be placed on file with and maintained by the Minnesota Department of Energy and Economic Development for the purpose of receiving notice of the proposed adoption of rules by this Notice of Intent to Adopt and Amend Rules without Public Hearing is accurate and complete as of 4:30 p.m. this 21st day of September, 1984.

Robert F. Benner
Assistant Commissioner

PROPOSED RULES

Pursuant to Minn. Stat. of 1980, §§ 14.21, an agency may propose to adopt, amend, suspend or repeal rules without first holding a public hearing, as long as the agency determines that the rules will be noncontroversial in nature. The agency must first publish a notice of intent to adopt rules without a public hearing, together with the proposed rules, in the *State Register*. The notice must advise the public:

1. that they have 30 days in which to submit comment on the proposed rules;
2. that no public hearing will be held unless seven or more persons make a written request for a hearing within the 30-day comment period;
3. of the manner in which persons shall request a hearing on the proposed rules; and
4. that the rule may be modified if modifications are supported by the data and views submitted.

If, during the 30-day comment period, seven or more persons submit to the agency a written request for a hearing of the proposed rules, the agency must proceed under the provisions of §§ 14.13-14.20 which state that if an agency decides to hold a public hearing, it must publish in the *State Register* a notice of its intent to do so. This notice must appear at least 30 days prior to the date set for the hearing, along with the full text of the proposed rules. (If the agency has followed the provisions of subd. 4h and has already published the proposed rules, a citation to the prior publication may be substituted for republication.)

Pursuant to Minn. Stat. § 14.29, when a statute, federal law or court order to adopt, suspend or repeal a rule does not allow time for the usual rulemaking process, temporary rules may be proposed. Proposed temporary rules are published in the *State Register*, and for at least 20 days thereafter, interested persons may submit data and views in writing to the proposing agency.

Department of Energy and Economic Development Community Development Division

Proposed Adoption and Amendment of Rules Governing the Community Development Block Grant Program

Notice of Intent to Adopt and Amend Rules without a Public Hearing

Notice is hereby given that the State Department of Energy and Economic Development proposes to adopt and amend the above-entitled rules without a public hearing. The commissioner has determined that the proposed adoption and amendment of these rules will be noncontroversial in nature and has elected to follow the procedures set forth in Minnesota Statutes sections 14.21 to 14.28 (1982), as amended.

Persons interested in these rules and amendments shall have 30 days to submit comments on the proposed rules and amendments. The proposed rules and amendments may be modified if the modifications are supported by the date and views submitted to the agency and do not result in a substantial change in the proposed language.

Unless seven or more persons submit written requests for a public hearing on the proposed rules and amendments within the 30-day comment period, a public hearing will not be held. In the event a public hearing is required, the agency will proceed according to the provisions of Minnesota Statutes sections 14.21 to 14.28 (1982), as amended.

Persons who wish to submit comments or a written request for a public hearing should submit such comments or request to:

D. Beigbeder, Department of Energy and Economic Development
100 Hanover Building, 480 Cedar Street, St. Paul, Minnesota 55101
(612) 296-2262

Authority for the adoption of these rules is contained in Minnesota Statutes sections 116J42 and 116J45 (1982) as amended by Minnesota Laws 1983, chapter 289, section 50, subdivision 115. This authority has been transferred from the State Planning Agency to the Department of Energy and Economic Development pursuant to Reorganization Order No. 129 issued pursuant to Minnesota Statutes, 1982, section 16.125. Additionally, a statement of need and reasonableness that describes the need for and reasonableness of each provision of the proposed rules and amendments and identifies the data and information relied upon to support the proposed rules and amendments has been prepared and is available from D. Beigbeder upon request.

Upon adoption of the final rules and amendments without a public hearing, the proposed rules and amendments, this notice, the statement of need and reasonableness, all written comments received, and the final rules and amendments as adopted will be delivered to the Attorney General for review as to form and legality, including the issue of substantial change. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the final rules and amendments as proposed for adoption, should submit a written statement of such request to D. Beigbeder at the address listed above.

(A copy of the proposed rules and amendments is attached to this notice.)

Copies of this notice and the proposed rules and amendments are available and may be obtained by contacting D. Beigbeder either in writing or by telephone.

Mark B. Dayton, Commissioner
Department of Energy and Economic Development

Rules as Proposed

10 MCAR § 1.500 Small cities community block grant program; general provisions.

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

B. Objective of the 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:

1. benefit low- and moderate-income persons;

2. prevent or eliminate slums and blight; or

3. alleviate urgent community development needs caused by existing conditions which 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.

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

1. "Application year" means the federal fiscal year beginning October 1 and ending September 31.

2. "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.

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

~~2.~~ 4. "Comprehensive program" means a combination of at least two interrelated projects which are designed to address community development needs which 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.

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

~~3.~~ 6. "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 570.200-570.207 (1981).

~~4.~~ 7. "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.

~~5.~~ 8. "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.

~~6.~~ 9. "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.

~~7.~~ 10. "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 State Code, title 42, sections 5301-5316 (1981), and includes the period of time during which the office solicits applications and makes grant awards.

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

~~8.~~ 11. "Infrastructure" means the basic physical systems, structures, and facilities, such as roads, bridges, water, and sewer, which are necessary to support a community.

~~9.~~ 12. "Low and moderate income" means income which does not exceed 80 percent of the median income for the area with adjustments for smaller and larger families.

~~10.~~ 13. "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.

~~11.~~ 14. "Nonentitlement area" means an area that is not a metropolitan city or part of an urban county.

~~12.~~ 15. "Office" means the office ~~of Local Government~~ or division in the Department of Energy~~,~~ ~~Planning~~ and Economic Development to which the program is assigned.

~~13.~~ 16. "Per capita assessed valuation" means the adjusted assessed valuation divided by population.

~~14.~~ 17. "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~~ 116J.42, 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.

~~15.~~ 18. "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.

~~16.~~ 19. "Program" means the community development block grant program for nonentitlement areas.

~~17.~~ 20. "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.

~~18.~~ 21. "Program income" means gross income earned by the grant recipient from grant-supported activities, excluding interest earned on advances.

~~19.~~ 22. "Project" means one or more activities designed to meet a specific community development need.

~~20.~~ 23. "Regional or community development plans" means written documents, resolutions, or statements which 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.

~~21.~~ 24. "Slums and blight" means areas or neighborhoods which 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.

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A. 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:

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2. 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; ~~or~~

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B. 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 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 10 MCAR §§ 1.500-1.565.

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B. 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 competitive grant per grant year and no eligible applicant shall be included in more than one competitive application. An eligible applicant may apply for one economic development grant in addition to a competitive grant each application year.

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1. 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;

2. 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

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

2. 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~~ 60 days before submitting the application; and

3. 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.

E. Time limit for submitting applications. Competitive 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

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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.

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10 MCAR § 1.515 Evaluation of applications; in general.

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 10 MCAR §§ 1.520-1.545. Economic development project applications must meet threshold criteria in order to be evaluated.

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A. 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.

B. 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:

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

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

3. 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.

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

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

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

10 MCAR § 1.525 Comparison of competitive applications within categories.

After completing the general competition described in 10 MCAR § 1.520, the office shall place each application in the appropriate grant category in accordance with 10 MCAR § 1.505. 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 10 MCAR §§ 1.530-1.545.

10 MCAR § 1.546 Evaluation of economic development projects.

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

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

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

1. creation or retention of permanent private sector jobs;

2. stimulation or leverage of private investment; or

3. increase in local tax base.

C. Project review. Applications that meet eligibility thresholds will be awarded points by the office based on evaluation of the two rating categories: project design and financial feasibility. Applications must attain at least two-thirds of the total 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.

Two-thirds of the available 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.

One-third of the available 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. 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.

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

10 MCAR § 1.550 Determination of grant awards.

A. 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 10 MCAR §§ 1.500-1.565 until funds are received from the United States Department of Housing and Urban Development.

B. Division of funds.

1. Of the funds available for grants in each grant year, ~~45~~ 30 percent shall be reserved by the office to fund single purpose grants, 15 percent shall be reserved for economic development 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 10 MCAR § 1.505 ~~B. and C.,~~ and 10 MCAR § 1.545. 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.

2. At least ~~20~~ 30 percent of the funds made available for single purpose grants shall be awarded for applications in each of the ~~three~~ two categories: housing~~,~~ and 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.

3. 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.

C. Funding list. Within each grant category, a list of applications shall be prepared in rank order of the scores received after evaluation pursuant to 10 MCAR §§ 1.515-1.545. 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.

D. 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.

E. 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.

F. Grant ceilings. No competitive 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. No economic development grant may be approved for an amount over $500,000.

Repealer. 10 MCAR § 1.540 is repealed.

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

STATE OF MINNESOTA

DEPARTMENT OF ENERGY AND ECONOMIC DEVELOPMENT

In the Matter of the Proposed Adoption and Amendment of Rules of the State Department of Energy and Economic Development Governing the Community Development Block Grant Program.

FINDING OF FACT AND CONCLUSIONS

Notice of Intent to Adopt and Amend Rules without a Public Hearing was published in the State Register, Monday, September 26, 1983 (8 S.R. 518), along with a copy of the proposed rules and amendments. The Notice and a copy of the proposed rules and amendments were also sent to those persons, associations and other interested groups on the agency list maintained for the purpose of giving notice regarding the proposed adoption of rules.

After affording interested persons an opportunity to present written testimony as required by Minnesota Statutes 14.21 to 14.28 (1982) as amended, and having received no written comments regarding the substance of the proposed rules nor any requests for public hearing, I find the following:

FINDINGS OF FACT

1. That the term "grant" year be substituted for "application" year (10 MCAR § 1.510E) in order to clarify that economic development applications may be submitted at any time during which the state solicits applications and makes awards, instead of according to the federal fiscal year. Funds are generally authorized according to federal fiscal year; however, the state does not always receive funds according to those dates; and

2. That under Project Review the description of project quality indicators (10 MCAR 1.546 C) which was inadvertently published within the indicators for cost effectiveness be inserted in the intended paragraph in order to clarify the objectives of rating system.

> C. Project review. Applications that meet eligibility thresholds will be awarded points by the office based on evaluation of the two rating categories: project design and financial feasibility. Applications must attain at least two-thirds of the total 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.

Two-thirds of the available 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.

One-third of the available 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. ~~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.~~

3. That the above cited changes to the rule proposed are non-substantive.

The Department of Energy and Economic Development has followed all applicable procedures for amending administrative rules. The Department received no requests for submission of rules to the Attorney General. Therefore, I order the rules identified as Community Development Block Grant Program be adopted.

STATE OF MINNESOTA

Mark B. Dayton, Commissioner
Department of Energy and Economic Development

MINNESOTA DEPARTMENT OF ENERGY AND ECONOMIC DEVELOPMENT

In the Matter of the Proposed Adoption and Amendments to Rules of the State Department of Energy and Economic Development Governing the Community Development Block Grant Program Pursuant to Reorganization Order Number 129, Issued Under Minnesota Statutes, 1982, Section 16.125, the Community Development Block Grant Program was Transferred to the Department of Energy and Economic Development.

STATEMENT OF NEED AND REASONABLENESS

Introduction

The Housing and Community Development Act of 1974, as amended, established a Small Cities Community Development Block Grant program for cities under 50,000 population. The primary objective of the program is "the development of viable urban communities by providing decent housing and a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income." The U. S. Department of Housing and Urban Development has promoted this objective through grants administered by its area offices for housing, public facilities and economic development projects.

In 1981 the federal law was amended to give state governments the option to administer the program. Rules providing procedures for evaluating applications for funds and awarding grants to eligible applicants were developed and adopted, as provided by Title 1 of the Housing and Community Development Act of 1974, as amended. The rules were developed to give local units of government the flexibility to design projects to address local needs in accordance with that law.

Implementation of the Small Cities Development Program during the first year proceeded in a fair and orderly fashion under the rules as adopted. However, this experience revealed that a single closing date is inappropriate for economic development applications. Opportunities arise irrespective of application deadlines. The proposed amendments to the rules are the result of suggestions made by local government officials, applicants and other interested parties as well as based upon experience of the Division of Community Development.

Pursuant to Minnesota Laws 1983, Chapter 289, the Community Development Block Grant Program was transferred to the newly created State Planning Agency. However, authority for the adoption of these rules is contained in Minnesota Statutes Section 116J.42 and 116J.45 (1982) as amended by Minnesota Laws 1983, Chapter 289, Section 50, Subdivision 115. This authority has been transferred from the State Planning Agency to the Department of Energy and Economic Development pursuant to Reorganization Order Number 129 issued pursuant to Minnesota Statutes 1982, Section 16.125.

Justification for Amendments to the Rule

The format used in preparing this Statement of Need and Reasonableness is as follows: Each substantive amendment or revision to the rule is stated first, followed by a discussion of the intent of the proposed amendment, the need for the amendment or revision, and its reasonableness. The following are discussions of three types of non-substantive revisions necessary as a result of departmental reorganization or grammatical changes made for general conformance with the proposed amendments cited as a whole. These revisions occur throughout the rules. The revisions are not discussed individually because of their non-substantive nature.

1. The Department of Energy, Planning and Development has been amended to conform with department reorganization under Reorganization Order Number 129 to which the program is assigned.

2. The term "competitive" has been inserted before "applications" where the rule applies to single purpose housing and public facilities and/or comprehensive applications to distinguish the method of rating those applications from the economic development project evaluation procedure.

3. Definitions have been renumbered because new terms have been added.

10 MCAR 1.500 C. Definitions

1. "Application year" means the federal fiscal year beginning October 1st and ending September 31st.

   DISCUSSION: Federal funds are usually appropriated by federal fiscal year although the period of time during which those funds are made available to the states for distribution to local units of government may vary from this standard. The term grant year was established to indicate the period of time funds were available. It is necessary to establish the term application year to indicate the level of funding available from the federal fiscal appropriation. The term and definition are reasonable because they are consistent with federal appropriation periods.

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

   DISCUSSION: This definition is necessary to distinguish competitive grant applications from economic development applications. It is reasonable to inform applicants and local units of government of this distinction and the competitive relationship of applications in each category.

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

DISCUSSION: This term is necessary to inform prospective applicants that economic development projects may consist of one or more activities designed to induce economic development. The term is reasonable because it is based on state economic development objectives, is broad enough to include a wide variety of methods for achieving objectives, and is a continuation of the types of activities funded during the previous year.

14. "Office" means the office ~~of Local Government~~ or division in the Department of Energy~~, Planning~~ and Economic Development to which the program is assigned.

DISCUSSION: The Office of Local Government to which this program was assigned has been dissolved. The program has been assigned to the Division of Community Development. It is necessary and reasonable to inform prospective applicants and local units of government of this administrative change.

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

DISCUSSION: Units of local government may apply for funding under the single purpose competitive funding cycle to address one particular type of community development need. A project may consist of one or more activities that address the stated housing or public facilities need. This definition is necessary to distinguish economic development projects from competitive single purpose projects. It is reasonable because it is consistent with previous state administration of the program.

10 MCAR § 1.505 A. 3. ~~deletion~~ repeal.

10 MCAR § 1.506 Economic development grants; non-competitive. The office shall approve grants for economic development projects for funding throughout a single application year, or until the funds reserved have been exhausted.

DISCUSSION: It is necessary and reasonable to repeal 10 MCAR § 1.505 A. 3. and adopt proposed 10 MCAR § 1.506 because evaluation of previous experience administering grants for economic development projects along with numerous comments from potential program users reveals that a single, annual opportunity to apply for funds is inappropriate for economic development. In most cases, the viability of a project is dependent upon relatively short-term commitments. Need for economic development assistance tends to arise abruptly; it is not the result of chronic deterioration for which solutions can be planned. It is necessary and reasonable for the office to accept applications and award grants throughout the year as long as funds are available.

10 MCAR § 1.510 B (new language) An eligible applicant may apply for no more than one competitive grant and no more than one economic development grant during the grant year.

DISCUSSION: Eligible applicants have a variety of community development needs. Those relating to housing, public facilities, or a comprehensive

strategy for overall revitalization may be addressed in an annual competition; however, the nature and need for economic development is such that eligible applicants should not be precluded from submitting an application for a worthwhile project. It is necessary to permit eligible applicants to apply for one competitive grant and one economic development grant in order to assure that the most worthwhile projects can be funded. It is reasonable to limit applicants to one of each type so that applicants are encouraged to submit their most worthwhile projects and so that grant funds may be distributed to the best projects.

10 MCAR § 1.510 D.2 Ten days but not more than ~~30~~ 60 days.

DISCUSSION: Assurances regarding compliance and citizen participation are required by federal regulation. It is necessary to extend the length of time allowed for a public hearing in order to give applicants sufficient time to receive public comment. It is reasonable because the additional time has been requested by applicants; it will give them greater opportunity to incorporate citizen comments and weather conditions during January make it difficult for some applicants to meet this requirement.

10 MCAR § 1.510 E. (New language) Economic development applications may be submitted at any time during the application year.

DISCUSSION: This addition is necessary to distinguish the closing date for competitive applications from the open submission of economic development applications. It is reasonable because competitive applications will be awarded funding based on their ranking after comparative review whereas economic development applications may be recommended for funding until the reserve is exhausted.

10 MCAR § 1.540 Evaluation of economic development projects. Repeal.

DISCUSSION: This section has been deleted and is replaced by 10 MCAR § 1.546. This is necessary to conform to the distinction between competitive applications and economic development applications. It is reasonable because it reinforces consistency in the rules.

10 MCAR § 1.545 (New language) Consideration of need for an economic development project shall be based on deficiencies in employment opportunities and circumstances contributing to economic vulnerability and distress.

DISCUSSION: Consideration of impact shall be based on the extent to which the project reduces or eliminates the need. Consideration of capacity shall be based on demonstration of administrative capability, realistic implementation schedule, and the ability to conform to state and federal requirements.

10 MCAR § 1.546 Evaluation of economic development projects.

Evaluation of economic development applications shall consist of eligibility threshold screening and project review. Applications must meet the eligibility thresholds in order to be referred for project review. Applications which fail to meet eligibility thresholds may be revised and resubmitted.

A. Eligibility thresholds.

1. Federal thresholds. Applicants must provide a description of the ways that activities address one of the federal objectives described in 10 MCAR § 1.500 B. Each activity proposed for funding must be eligible under current federal regulations.

2. State thresholds. Applicants must describe how they will meet two of each of the three following thresholds based on state economic development objectives:

   a. Creation or retention of permanent private sector jobs;
   b. Stimulation or leverage of private investment; or
   c. Increase in local tax base.

B. Project review. Applications that meet eligibility thresholds will be awarded points by the office based on evaluation of project design and financial feasibility. Applications must attain at least two-thirds of the total 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.

1. Project design. Two-thirds of the available 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.

2. Financial feasibility. One-third of the available points will be awarded based on an evaluation of the effective use of funds to induce economic development. Consideration of financial feasibility shall include investment analysis, commitment of other funds, and other factors relating to the type of program assistance requested.

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

DISCUSSION: This section replaces 10 MCAR § 1.540 and is necessary to describe the procedure the office will follow in its evaluation of economic development applications and subsequent funding recommendations to the commissioner, in order to assure that the best applications on a statewide basis are recommended. It is reasonable because it is based on a combination of threshold factors established by federal regulations for the program, state objectives established for economic development under state administration of the program, and evaluation of project design and financial feasibility. State administration of the program for F.Y. 1983 has shown that economic development applications are more difficult to package than others addressing community development needs. One of the most frequent concerns during review and evaluation of economic development proposals was the lack of information included in the application. It was, in several cases, evident that provision of additional information could have made a significant difference to the

final rating of the project. For this reason, the office finds that it is necessary and reasonable to provide that applications may be revised and resubmitted if they fail to meet threshold eligibility requirements or do not score sufficient points to be recommended for funding.

A. Eligibility thresholds.

Federal. Federal regulations for state administration of the Small Cities CDBG program were designed to "maximize the legislative thrust to provide states sufficient flexibility in administering the program," however the state must comply with federal objectives for the program as established by the Housing and Community Development Act of 1974, as amended. It is therefore necessary to require that applicants describe how they will be addressing one of these objectives with their project. It is also necessary that each proposed activity be eligible under federal regulations in order to be fundable. It is reasonable to establish federal requirements as eligibility thresholds because a project cannot be funded unless it addresses one of the three federal objectives and all activities are reasonable.

State. Because of the limited amount of funds available for economic development projects and the high potential for economic development funding requests, it is necessary to establish thresholds based on state economic development objectives for the Small Cities Development Program. It is reasonable to require that applicants describe how they will meet two out of three of the objectives in order to assure that state priorities are met. Due to state concern regarding unemployment and underemployment it is reasonable that projects be designed to create or retain permanent private sector jobs. It is also reasonable to use the stimulation or leverage of private investment as a state eligibility criterion because these grants funds are limited and are best used in combination with other funds. Examples of stimulating private investment could encompass a wide array of activities ranging from using grant funds to provide infrastructure to lowering market interest rates. It is also reasonable that eligible applicants use grant funds in such a way as to increase their tax base as a result of public investment.

B. Project review. In order that those applications most worthy of funding receive positive recommendations, it is necessary to establish objective criteria for evaluating applications. It is also necessary to establish the minimum level of points an application must score in order to be recommended for funding. It is necessary and reasonable for applications to score at least half the points available in each category in order to assure that overall the project is worthwhile.

Project design. It is necessary to evaluate the quality of a project based on the need, impact and capacity of the applicant to implement the project in order to assure that the proposed project is worthy of public investment of funds. As under previous state administration of the program, these criteria encompass a wide range

of indicators which the office finds are reasonable to evaluate economic development proposals. Need indicators will enable the office to determine the level of economic distress faced by the community. Impact indicators will provide the basis for an evaluation of expected outcomes of the project and whether the implementation of a project will result in long-term improvements to the economic base of the community and address the need(s) described. Capacity indicators will provide the framework for evaluating the commitment and ability of the applicant to implement the project within a reasonable time period and to be able to accomplish what is proposed. It is necessary to establish the proportion of points allocated to this category of review and it is reasonable that two-thirds of the total points available be alloted to project design components because of the number and importance of these criteria.

Financial feasibility. It is necessary to evaluate the quality of a project based on financial feasibility indicators in order to assure that the dollars requested will be used most effectively. Evaluation of the role of Small Cities Development Program funds within the total project cost structure including investment analysis, the degree and strength of other funds committed to the project, other public and private actions that will be taken to facilitate the project's implementation will enable the office to reasonably determine the strength of the financial package and subsequent return on public investment. It is necessary to establish the proportion of points allocated to the review of financial feasibility and reasonable that the remaining one-third of the available points be awarded based on evaluation of these considerations. Because minimum acceptable standards will be established in the threshold eligibility screening, the office has determined that the financial aspects of the application should not carry as much weight as program design aspects.

10 MCAR § 1.550

B.1. ....30 percent shall be reserved by the office to fund single purpose grants, 15 percent shall be reserved for economic development grants and 55 percent shall be reserved by the office to fund comprehensive....

DISCUSSION: Under the first year of the state administration of the block grant program, 45 percent of the funds were reserved for single purpose grants, including economic development grants. Because economic development grants are being eliminated from the competitive single purpose category and established as a separate category, it is necessary to reserve a portion of the single purpose funds. It is reasonable to reserve 15 percent of those funds for economic development because it is consistent with previous grant awards under this program.

B.2. 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 office soley for the purpose of meeting this requirement.

DISCUSSION: In order to clarify the reservation of funds within the single purpose competitive category, it is necessary to establish that the remaining non-comprehensive funds will be used to fund housing and public facilities projects. It is reasonable because it is consistent with previous grant awards under this program.

B.3. 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.

DISCUSSION: The addition of this section is necessary to inform prospective applicants of the method that will be used to disburse any funds reserved for economic development that have not been awarded at the close of the application year. Because the fund reservation for economic development projects was set aside from the allocation of single purpose projects, it is reasonable to make two-thirds of the remaining funds, if any, available for funding competitive single purpose (housing and public facilities) applications during the next grant cycle.

F. Grant Ceilings

No competitive 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. No economic development grant may be approved for an amount over $500,000.

DISCUSSION: The funding level for economic development grants is established at $500,000 in order to encourage leveraging of additional funds that may be needed for the project and also to make economic development funds available to more communities. The grant ceiling is necessary to establish the maximum amount of funds possible for each grant. It is reasonable because the average dollar amount requested under single purpose economic development competitive grants was less than $500,000.

In the Matter of the Proposed Adoption
and Amendment of Rules of the State
Department of Energy and Economic Development
Governing the Administration of the
Community Development Block Grant Program

STATEMENT OF
COMPLIANCE WITH
RULEMAKING PROCEDURES

I, Christie B. Eller, do hereby declare that I have examined the rules and all related documents and that, based on my examination and my personal familiarity with the applicable procedures, the Administrative Procedure Act, the rules of the Office of Administrative Hearings, and the rules of the Attorney General have been followed. Any exceptions are noted below.

Christie B. Eller

Dated: October 27, 1983