

SCDP A-Z Guide

**For Applicants and Grantees of the
Minnesota Small Cities Development Program**

SCDP A-Z Guide

This Guide is designed for use by Small Cities Development Program grant applicants and recipients in Minnesota. It provides an overview of the program, application requirements, process and tools, and responsibilities of grant applicants and recipients. If you have questions or concerns, please contact the Small Cities Development Program Representative assigned to your area.

The major compliance areas touched on in this Guide each have a companion handbook or instruction packet with more detailed information: environmental, labor standards, fair housing/equal opportunity, acquisition/relocation, and guides for owner, rental and commercial rehabilitation. These contain forms, samples and material that may be required by the Small Cities Development Program, or may be useful to applicants and grantees.

Potential applicants to the Small Cities Development Program should review the **Background/Goal of the SCDP, Eligible/Ineligible Applicants, Applying to the SCDP, Citizen Participation, Federal Objectives for Applicants, Activities Funded by the SCDP, Application Types, Procurement of Goods and Services and Conflict of Interest**, along with information contained in the Application Packet. Applicants may also want to familiarize themselves with general requirements of the program, outlined in other chapters.

Grantees of the Small Cities Development Program should review **Grant Agreement (and Amendments), Start-up, Pre-award Costs, Procurement of Goods and Services, Environmental Review, Federal Objectives for Grantees, Income/Household Size Definitions for SCDP, Fair Housing, Equal Opportunity and Civil/Human Rights, Labor Standards, Policy Development for Funded Activities, Conflict of Interest, Financial Management, Program/Generated Income, Lead Policy, Asbestos (for rehabilitation/conversion activities); Relocation, Antidisplacement and 1 for 1 Replacement, Disbursement Requests/Payment Holds, Reporting Requirements, Monitoring, Audit Requirements, Records Retention, Closeout, and Termination of SCDP Grants.**

NOTE: Fillable versions of the forms in the Appendices are available on the SCDP website, or from SCDP staff.

Table of Contents

A ctivities Funded by the SCDP	6
A cquisition.....	6
A cquisition/Demolition.....	7
A cquisition/Rehabilitation.....	7
C enter/Facility.....	8
C onversion.....	8
D emolition (Clearance).....	8
H ome Ownership Assistance.....	9
N ew Construction (with or without MHFA RFP request).....	9
- O wner-occupied	10
- R ental	11
O wner-occupied Housing Rehabilitation.....	11
R ental Housing Rehabilitation.....	12
C ommercial Rehabilitation.....	12
R elocation.....	13
P ublic Facilities including Assessment Abatement.....	14
A ffordable Rents (see F ederal Objectives for Applicants)	
A mendments to the Grant Agreement (See G rant Agreement)	
A ntidisplacement (see R elocation, Antidisplacement and 1 for 1 Replacement)	
A pplicants (see E ligible/Ineligible Applicants)	
A pplication Types.....	16
A pplying to the SCDP.....	17
A sbestos (for rehabilitation/conversion activities).....	19
A udit Requirements.....	20
A warding SCDP Grants (see A pplying to the SCDP)	
B ackground/Goal of the SCDP	21
C itizen Participation (also see G rant Agreement – Changes).....	22
C loseout	23
C onflict of Interest.....	24
C ontract Requirements (see G rant Agreement, F air Housing, Equal Opportunity and Civil/Human Rights, P rohibition of Excessive Force, D rug Free Workplace, S tart-up and the L abor Standards Packet)	
D ebarment (see P rocurement of Goods and Services)	
D isbursement Requests/Payment Holds	25
D rug Free Workplace.....	27
D UNS Number.....	28

E ligible/Ineligible Applicants	29
E nvironmental Review	30
F air Housing, Equal Opportunity and Civil/Human Rights	31
F air Market Rents (see F ederal Objectives of the Program for Applicants)	
F ederal Objectives for Applicants	33
F ederal Objectives for Grantees	37
F ull Application (see A pplying to the SCDP)	
F inancial Management.	39
G enerated Income (see P rogram/Generated Income)	
G rant Agreement (and Changes)	40
I ncome/Household Size Definitions for SCDP	42
J oint Community Applications (see A pplying to the SCDP)	
L abor Standards	44
L ead Policy	45
M onitoring	47
O ne for One Replacement (see R elocation, Antidisplacement and 1 for 1 Replacement)	
P ayment Holds (see D isbursement Requests/Payment Holds)	
P olicy Development for Funded Activities.	48
P re-Application (see A pplying to the SCDP)	
P re-award Costs	49
P rocurement of Goods and Services	50
P rogram/Generated Income.	51
P rogrammatic Agreement.	53
P rohibition of Excessive Force.	54
R ecords Retention	55
R elocation, Antidisplacement and 1 for 1 Replacement.	56
R eporting Requirements	58
R esidential Antidisplacement (see R elocation, Antidisplacement and 1 for one Replacement)	
R esolution, Local Government Application (see A pplying to the SCDP)	
S coring SCDP Applications (see A pplying to the SCDP)	
S ection 3.	59
S tart-up	60
S urveys (see F ederal Objectives for Applicants – LMI Area Benefit)	
T ermination of SCDP Grants.	61
A ppendix A: Conflict of Interest Interview Form	62

Appendix B: Residential Anti-displacement and Relocation Assistance Plan - Sample. 63
Appendix C: Citizen Participation Plan - Example. 65
Appendix D: Local Government Application Resolution - Example. 66
Appendix E: Cooperative Agreement – Sample.....67
Appendix F: Sample Prohibition of Excessive Force Resolution.....68

Activities Funded by the SCDP

The Small Cities Development Program can be used to address the following activities:

- Acquisition
- Acquisition/Rehabilitation
- Center/Facility
- Conversion (generally associated with other eligible activities)
- Demolition
- Home Ownership Assistance (down payment assistance, gap financing)
- New Construction
 - Owner-occupied
 - Rental
- Rehabilitation
 - Commercial
 - Residential Owner-occupied
 - Residential Rental
- Relocation (generally associated with other eligible activities)
- Public facility improvements (i.e., water, sewer, drainage), including abatement of assessments (assessment abatement) for public facility improvements

The activities discussed in this chapter are meant to help you with:

- Your planned activity(s) and;
- Writing the narrative section of your application, including addressing a federal objective for each activity. Information on meeting one of the federal objectives for each activity (aside from administration) can be found in the **Federal Objectives for Applicants** section of this Guide.

Acquisition:

Federal Objectives (see more information in Federal Objectives for Applicants):

- Slum and Blight Spot;
- Low and Moderate Income, Direct or Area Benefit - If the acquisition is in support of another activity, the Federal Objective for the “end activity” should be used;
- Urgent Community Development Need.

This activity can be the acquisition of a building(s) (single family residential, multi-family residential, commercial, etc.), or the acquisition of land.

Acquisition can be a project in itself (such as acquiring an unsightly and dilapidated building for demolition), or as part of a housing development or public facilities project.

Applicants can apply for Acquisition/Rehabilitation to purchase and rehabilitate substandard, affordable single-family housing for income-qualified households. See also Owner-occupied Housing Rehabilitation in the Rehabilitation section of this Chapter.

If acquisition of a building or land is not voluntary (such as for a public facilities project), and if it includes a building that is occupied, or if the land is being used for commercial purposes, relocation may need to be paid to owners and/or tenants.

If acquisition involves demolition or conversion of occupied or occupiable (not dilapidated) affordable housing (whether occupied by low income households or not), replacement of these units on a one-for-one basis may be triggered. (See Relocation, Antidisplacement and 1 for 1 Replacement.)

Acquisition may be combined with other activities, such as Demolition or Rehabilitation. See Acquisition/Demolition and Acquisition/Rehabilitation.

Acquisition/Demolition:

Federal Objectives (see more information in Federal Objectives for Applicants):

- Slum and Blight Spot
- Low and Moderate Income, Direct or Area Benefit - If the acquisition is in support of another activity, the federal objective for the “end activity” should be used
- Urgent Community Development Need

This is a combination of two eligible activities that allows acquisition and demolition of dilapidated structures and land, or disaster-damaged structures and land. In general, the SCDP does not allow acquisition/demolition for other than disaster projects, unless there is a planned re-use and the re-use meets a federal objective for the SCDP program.

Acquisition/Rehabilitation:

Federal Objective (see more information in Federal Objectives for Applicants):

- Low and Moderate Income, Direct Benefit

This is a combination of two eligible activities that allows acquisition of substandard but suitable, for-sale single-family homes, and rehabilitation of those homes, which are then sold to income-qualified households on a contract for deed basis or via a conventional mortgage.

If sold to the household on a contract for deed, the deed holder must be a non-profit organization or a local development corporation, under contract with the community applicant.

Any end financing product that will “take out” the SCDP funding (payments on contract for deed or conventional mortgage) can only be used for additional, eligible SCDP activities.

The following are the maximum amounts of SCDP assistance allowed on a per unit basis for both acquisition and rehabilitation of the house:

2 Bedroom	3 Bedroom	4 + Bedroom
\$150,000	\$194,000	\$213,000

Center/Facility:

Federal Objectives (see more information in Federal Objectives for Applicants):

- Low and Moderate Income, Direct Benefit
- Low and Moderate Income, Limited Clientele

This activity is very broad and covers construction or rehabilitation of senior centers, centers to serve the handicapped, homeless or battered spouse facilities, youth centers, storm shelters and other neighborhood facilities.

If the activity is a storm shelter:

- The shelter must be located on publicly owned land (or an easement must be obtained);
- There must be a warning siren in the neighborhood where the shelter will be located, or, if the shelter is located in a manufactured housing park, it must be within 1500 ft. of the park;
- For manufactured housing parks only: The shelter must be of a sufficient size to accommodate all of the residents of the park

Conversion:

Federal Objectives (see more information in Federal Objectives for Applicants):

- Low and Moderate Income, Direct Benefit (for conversion to housing)
- Slum and Blight Area (for conversion to commercial space)
- Low and Moderate Income, Limited Clientele (for conversion to qualifying community space)

This activity is major rehabilitation to convert an existing non-residential space or structure (typically an old hotel or school) into housing, or a mix of housing and commercial/community use. This can include “creating” rental units in an existing commercial building. Applicants should consult the applicable “Rehabilitation” section of this Guide for more information.

If MHFA funds are being requested through the MHFA RFP Multi-Family Funding Process, no Pre-Application or Full Application is needed to access SCDP funds. However, the applicant must identify SCDP funds in the application to MHFA, and indicate the use of the funds (residential, non-residential).

Demolition (Clearance):

Federal Objectives* (see more information in Federal Objectives for Applicants):

- Low and Moderate Income, Direct Benefit
- Slum and Blight, Area or Spot
- Low and Moderate Income, Limited Clientele (for conversion to qualifying community space)

- Urgent Community Development Need

This activity may include the demolition of deteriorated buildings for health and safety reasons, as well as to allow the re-use of the property. Some examples:

- Demolition of one or more blighted structures, either in or outside of a designated slum and blight area. SCDP does not generally find this competitive.
- Demolition of vacant, dilapidated structure(s) to make a community park or playground serving a predominately low and moderate income community.
- Demolition of vacant, dilapidated structure(s) to make way for the affordable housing construction.
- Demolition of structures substantially-damaged by a flood or a tornado.

***Note:** If there is a re-use of property on which the SCDP funds were used in excess of \$100,000, that re-use must meet a federal objective as well. If it does not (now-vacant land is used for construction of a gas station), the SCDP funds used in the project must be returned to the city. This requirement applies for a 5 year period following the end of the grant that funded the demolition.

Home Ownership Assistance:

Federal Objective (see more information in Federal Objectives for Applicants):

- Low and Moderate Income, Direct Benefit

Home ownership activities involve providing direct assistance to households for down payment assistance, payment of reasonable closing costs and write-down of mortgages (soft second mortgages). If using SCDP funds for down payment assistance, only 50% of a “reasonable” down payment is eligible. Assistance must be provided on an “as needed” basis, following an affordability analysis of individual applicant households. The maximum amount of SCDP assistance per unit is \$20,000. Assistance may be provided for the acquisition of new or existing homes. There must be a minimum 7 year deferred loan term on the SCDP funds. SCDP will give stronger consideration for longer terms.

New Construction With or Without MHFA RFP Resources:

All applicants, whether going through MHFA’s RFP application process or not, need to make sure they read and follow the instructions below for the approval of a “public or private nonprofit entity” to do the construction.

Federal Objective (see more information in Federal Objectives for Applicants):

- Low and Moderate Income, Direct Benefit

SCDP funds may be used for actual construction of new housing only if the activity is carried out by a “public or private nonprofit entity,” defined as:

- A neighborhood-based nonprofit organization;
- A local development corporation; or
- A nonprofit organization serving the development needs of communities in non-entitlement local or regional areas,

Requirements found at Federal Regulation 570.201(e), State Regulation 105(a) (20)

The contract between the applicant and one of the above entities should make it clear that the community applicant is not playing a major and controlling role in the development process. Compliance with all program requirements may be the responsibility of the community applicant or, by contract, the public/private nonprofit entity.

In addition, activities must be part of one of the following, utilizing SCDP or other funds.

- *Neighborhood revitalization strategy*: Activities must be of sufficient size and scope to have an impact on the decline of a designated geographic location within the jurisdiction of the community.
- *Community economic development project*: This type of project must include activities that relate to increased or maintained economic opportunities, principally for low-and moderate income persons.

Public or private non-profit entities proposed for this must be approved by SCDP.

Reconstruction: When Applicants use SCDP funds for this activity, there might be instances where the end activity (i.e. new construction) is actually "reconstruction". Reconstruction is defined as: the rebuilding of a structure on the same site in substantially the same manner. Deviations from the design are permitted for reasons of safety or if otherwise impractical. The structure may be residential or nonresidential and it may or may not contain the same number of rooms as there could be situations in which a single unit structure could be reconstructed as a multi-unit structure to comply with building codes, etc.

Reconstruction of residential structures would also permit replacing an existing substandard unit of manufactured housing with a new standard unit of manufactured housing.

- **Owner-occupied New Construction**

Assistance for new, single family, owner-occupied housing construction can involve land or property acquisition, relocation, site clearance and preparation. Applicants who want to use SCDP funds for acquisition or relocation in conjunction with new housing construction should consult those sections of this chapter, as well.

In order to use SCDP funds for actual construction costs of housing, applicants must utilize an SCDP-approved public or private non-profit entity, as part of either a

“neighborhood revitalization strategy,” or a “community economic development project.”
(See above.)

- **Rental New Construction without MHFA RFP Resources**

SCDP funds should be used as “gap” financing, after other sources of funding have been utilized. Assistance for new, multi-family rental housing construction can involve land or property acquisition, relocation, site clearance and preparation, and needed infrastructure improvements. Applicants who want to use SCDP funds for acquisition, relocation or infrastructure improvements in support of new housing should consult those sections of this chapter as well.

In order to use SCDP funds for actual construction costs of housing, applicants must utilize an SCDP-approved public or private non-profit entity, as part of either a “neighborhood revitalization strategy,” or a “community economic development project.”
(See above.)

Owner-occupied Housing Rehabilitation:

Federal Objectives (see more information in Federal Objectives for Applicants):

- Low and Moderate Income, Direct Benefit
- Urgent Community Development Need

Owner-occupied housing rehabilitation is the rehabilitation of residential structures owned and occupied by low and moderate income households, from a substandard to a standard condition. Utility service line replacement or installation may be covered under this activity. Minimum rehabilitation standards to be met upon completion are HUD’s Section 8 Housing Quality Standards (HQS). The focus of the activity should be to correct problems relating to health and safety for occupants, and to preserve the affordable housing stock in the community.

If the unit is not suitable for rehabilitation, you may choose to consider reconstruction. Please see “Reconstruction” under New Construction With or Without MHFA RFP Resources.

- The maximum amount of SCDP assistance is \$25,000 per unit.
- The term for SCDP funds must be structured, at a minimum, as seven (7) year deferred loan.
- The Pre-Application requires you to provide an estimate of the number of interested/eligible households.
- The Full Application requires that you show evidence of a sufficient number of interested/eligible households to at least fulfill the requested units. Potential participants should sign an interest statement acknowledging the following:
 - That the Rehabilitation Program is not a remodeling program (although required handicap accessibility improvements can be made);
 - The length and terms of the deferred SCDP loan and if applicable, SCDP installment loans;
 - The maximum amount of the SCDP assistance;
 - Example of affordability scenarios;

Rental Housing Rehabilitation:

Federal Objectives (see more information in Federal Objectives for Applicants):

- Low and Moderate Income, Direct Benefit
- Urgent Community Development Need

This activity is the rehabilitation of renter occupied residential structures, which, upon completion of the rehabilitation, are completely or primarily occupied by low and moderate income households at “affordable rents.” Affordable rents should be clearly identified and appropriate to the community and persons served, but should not exceed HUD’s Section 8 Fair Market Rents. A requirement for participation is that property owners enter into agreements for occupancy and rents before rehabilitation begins. Minimum rehabilitation standards to be applied are HUD’s Section 8 Housing Quality Standards (HQS).

- The maximum amount of SCDP assistance is \$25,000 per unit for a single family rental house and \$12,500 per unit for a two-unit or larger building.
- The maximum percentage of SCDP assistance per building is 70% of the total project cost.
- The term for SCDP funds must be structured, at a minimum, as a five (5) year deferred loan.
- The Pre-Application requires you to provide an estimate of the number of interested building owners, with likely eligible rental houses or buildings, and the number of units.
- The Full Application requires that you show evidence of a sufficient number of interested owners with eligible units to at least fulfill the requested units. In order to show this interest, owners should sign an interest statement acknowledging the following:
 - That adequate number of unit(s) are occupied by LMI households at affordable rents (see the Federal Objective for Applicants section of this Guide);
 - That they cannot increase rents for LMI tenants paying 30 % or more of their income for rent and tenant-paid utilities for the term of the SCDP loan;
 - That the Rehabilitation Program is not a remodeling Program (although required handicap accessibility improvements can be made);
 - The length and terms of the deferred SCDP loan and if applicable, SCDP installment loans;
 - The maximum amount of the SCDP assistance;
 - Example of affordability scenarios.

Commercial Rehabilitation:

Federal Objectives (see more information in Federal Objectives for Applicants):

- Slum and Blight, Area or Spot
- Urgent Community Development Need

This activity is the rehabilitation of commercial, industrial or other buildings in a targeted slum/blight area. Buildings used for the general conduct of government are not eligible. SCDP

funds may only be used for exterior repairs/improvements, code violation corrections, handicapped accessibility and energy improvements. SCDP funds may not be used for “remodeling” type improvements. If improvements not eligible for SCDP funds are needed or desired, the private match dollars can be used.

- The maximum amount of SCDP assistance per building is \$40,000.
- The maximum percentage of SCDP assistance per building is 70% of the total project cost.
- The term for SCDP funds must be structured, at a minimum, as a seven (7) year deferred loan.
- The Pre-Application requires you to provide an estimate of the number of interested building owners, with the number of units eligible for rehabilitation.
- The Full Application requires that you show evidence of a sufficient number of interested owners with eligible units to at least fulfill the requested units. Owners should sign an interest statement acknowledging the following:
 - What improvements are eligible for SCDP financing;
 - That the rehabilitation program is NOT a remodeling program (although handicap accessibility improvements can be made);
 - That Davis Bacon Wage Rates apply;
 - The length and terms of the deferred SCDP loan and if applicable, SCDP installment loan;
 - The maximum amount of the SCDP assistance;
 - Example of affordability scenarios.

DEED will give stronger consideration to Pre-Applications that are doing both commercial and rental activities on the same building.

Relocation:

Federal Objectives (see more information in Federal Objectives for Applicants): The federal objective used for relocation must relate to the associated activity. For example:

- Low and Moderate Income, Direct Basis - For relocation done for residential rehabilitation
- Slum and Blight, Spot or Area Basis - For permanent or temporarily relocation of commercial tenants (for rehab) or owners (for acquisition/demolition).
- Urgent Community Development Need - For relocation of tenants in buildings slated for acquisition/demolition following disasters. (Most disaster recovery projects involve only voluntary acquisition, so no relocation is paid to owners.)

This activity involves providing relocation assistance to persons, businesses, farms or non-profits in accordance with the Uniform Relocation Act. Relocation is generally funded only in conjunction with other SCDP activities, such as non-voluntary acquisition and demolition. Temporary non-voluntary relocation may be needed during rehabilitation work involving lead hazards. If this is the case and the grantee wishes, a small amount of funds for relocation may be included in the request for rehabilitation, as long as the total request doesn't exceed the maximum amount of SCDP assistance available per unit for rehabilitation, either owner-occupied or rental.

If residential or commercial tenants are permanently displaced by rehabilitation activities, due to increases in rent beyond that which is affordable for them (economic displacement), relocation assistance may be required, as well.

The amount, term and duration of permanent relocation benefits varies by the situation and whether relocation will be provided to residential owners, commercial owners, or tenants, and whether the residential tenants are low-income or not. See <http://www.hud.gov/offices/cpd/library/relocation/policyandguidance/handbook1378.cfm>

Public Facilities, Including Assessment Abatement:

Federal Objectives (see more information in Federal Objectives for Applicants):

- Benefit Low and Moderate Income (LMI), Area Basis
- Benefit Very Low Income (VMI) on Assessment Abatement projects, Direct Benefit
- Urgent Community Development Need

This activity involves construction and engineering for the repair, replacement or new construction of local infrastructure, or abatement of sewer and water assessments for income-qualified households. Projects include, but are not limited to: wells, water towers, wastewater treatment facilities, streets, curbs, storm sewers, etc. Construction projects may serve an entire city, or an area, such as a part of a city or township.

If SCDP funds are used to exclusively fund one type of improvement, and other, non-federal funds are used to construct another type of improvement, the SCDP requirements will only apply to the improvement paid for with SCDP funding.

- All applicants for construction or assessment abatement must submit an SCDP Pre-Application.
- Only applicants for construction funding NOT utilizing Public Facilities Authority (PFA) or Rural Development (RD) funding need to submit an SCDP Full Application. Applicants for construction projects utilizing PFA or RD funding, and assessment abatement applicants do NOT need to submit a Full Application. *(However, if rehabilitation or other activities are requested, and the applicant is utilizing PFA or RD funding for the public facilities activity, an SCDP Full Application should be submitted for the other activities. The Full Application budget should include the public facilities activity, although no narrative is required on it.)*
- SCDP administrative fees on this activity are limited to \$20,000. If your administrative fee will exceed that amount, justification will be required.
- The activity funded by SCDP, if construction, must benefit all residents of an area that is primarily residential.
- Installation or replacement of water and sewer service lines on privately owned property can be done either as
 - Housing Rehabilitation for Low and Moderate Income (LMI) households only (and deficiencies in the housing must also be corrected), or

- Part of the public facility system, but permanent easements must be obtained for all lines connected to the system, and the community must maintain those lines as part of the system.
- SCDP funds can be used to abate sewer and water assessments for very low income households only when the construction is being financed without SCDP funds. However, all federal requirements, such as environmental and federal wage rates, must be applied to the construction.

Financial Need: Construction projects using Public Facilities Authority or Rural Development funds must demonstrate a financial need for the SCDP grant funds. The projected system costs, without grant funding, must be the greater of: 1) the “base rate” of \$35/month/household or 2) 1.5% of the community’s median household income, expressed as a monthly rate. The median household income figures can be found in demographic profiles from the census at: http://govpubs.lib.umn.edu/census/profile_city.phtml. The data is located on page 3 of the profile, in the right hand column, under “Median household income (dollars).”

Example:

Median HH income from Census:	\$28,700
1.5% “affordability threshold” per EDU:	\$430.50/\$35.88/mo.
Base rate:	\$35
Projected “after construction” monthly system cost per EDU:	\$51.20
Grant need estimate per EDU:	\$16.20 (\$51.20 minus \$35.00)

Application Types

(Effective 7/1/07)

Applicants must choose between submitting a single purpose application or a comprehensive application.

Single Purpose Application: These projects consist of one or more activities designed to meet a specific housing, public facility or economic development need, within a defined geographic area. The aggregate SCDP funding request limit for a single purpose application is \$600,000, including administration.

Comprehensive Application: These projects must address a combination of at least two (2) interrelated activities, which by their nature, must be carried out in a coordinated manner and/or require a coordination of housing, public facilities or community development activities, within a defined geographical area. The aggregate SCDP funding limit for a comprehensive application \$1.4 million, and each activity within the application is limited to a maximum amount of \$600,000, including administration.

DEED reserves the right to fund an application at less than the amount requested and to modify the area to be served by the grant. DEED may discuss the area benefiting from an award with the applicant prior to awarding the grant.

Each activity must meet a Federal Objective for the program. See the Federal Objectives for Applicants section of this Guide.

Applying to the SCDP

(Effective 7/1/07)

Detailed information on applying to the SCDP can be found in the SCDP Application Packet, which contains:

- SCDP Program Concept
- SCDP Pre-Application
- SCDP Short-Form Application
- SCDP Full Application

Once posted, the SCDP Application Packet can be found at:

http://www.positivelyminnesota.com/Government/Financial_Assistance/Community_Development_Funding/Small_Cities_Development_Program_2.aspx

With three exceptions, the SCDP application process consists of a Pre-Application, Short Form Application and a Full Application.

Exceptions:

1. Applicants requesting funding for new rental construction or conversion activities, in conjunction with funds requested through the Minnesota Housing Finance Agency (MHFA) RFP process, do not have to submit either a Pre-Application or a Full Application to SCDP although the SCDP funds must be indicated in the RFP. Those projects will receive funding upon recommendation of MHFA. Applicants for these activities should read the New Construction or Conversion sections of Activities Funded by the SCDP, in this Guide.
2. Only a Pre-Application is required from applicants requesting funding for public facilities construction costs, where Public Facilities Authority (PFA) or USDA Rural Development funding will also be used.
3. Only a Pre-Application is required from applicants requesting funds for abatement of assessments from sewer and water projects.

Joint Community Applications: When two or more eligible applicants face a qualifying need (see Activities Funded by the SCDP), DEED encourages and will give stronger consideration for funding to joint applications, with one applicant serving as the lead applicant. Applications submitted on behalf of other applicants must be approved by the governing bodies of all parties to the application, all parties must meet citizen participation requirements of the program (see Citizen Participation), and a cooperative agreement must be attached as an appendix to the Full Application. A sample Cooperative Agreement can be found in Appendix E.

Citizen Participation Plan Requirement: Citizen participation is required in the planning of SCDP applications, and a Citizen Participation Plan is needed for submission of the Full Application. See the Citizen Participation section of this Guide. A sample resolution can be found Appendix C of this Guide, and on the DEED website, at the link above.

Local Government Application Resolution - The unit of government sponsoring the application must pass and submit a resolution providing various certifications and assurances related to the application and, if funded, the unit of government's ability to enter into an agreement with the State of Minnesota. A sample resolution can be found in Appendix D of this Guide and on the DEED website, at the link above.

Scoring SCDP Applications: SCDP applications are scored on the basis of administrative capacity to deliver the proposed activities in a timely manner, the need for and impact of the activity, and cost effectiveness. In addition, up to 30 demographic points are assigned to each application by the State demographer's office, based on factors within the proposed target area. A total of 240 points is available for each application. Scoring is based on answers applicants provide to the activity questions in the Full Application, and on capacity. More information on scoring is provided in the SCDP Application Packet, on the DEED website.

Awarding SCDP Grants: SCDP anticipates making award decisions in spring of every year, contingent upon HUD awarding DEED their funding. DEED will post a notice of awards on its website at that time. In addition, DEED will notify all applicants of award decisions in writing.

Asbestos

(Effective 4/10/07)

The Minnesota Department of Health regulates work on, and removal of, asbestos-containing building materials, with the exception of single family homes and multi-family buildings of up to four units, when the asbestos work is limited to: floor tiles and sheeting, ceilings, siding or roofing materials.

Grantees must comply with the requirements, described at:

<http://www.health.state.mn.us/divs/eh/asbestos/index.html>

and

<http://www.health.state.mn.us/divs/eh/asbestos/rules.html>

Audit Requirements

(Effective 4/10/07)

State and local governments that expend \$500,000 or more in federal financial assistance in the grantee's fiscal year must have an audit done in accordance with the requirements of the Single Audit Act (OMB Circular A-133). Grantees must submit **A-133** audits to SCDP staff within nine (9) months after the end of the audited fiscal year. Counties must submit their **A-133** audits upon completion of the audit by the Office of the Minnesota State Auditor. This applies even if the audits are completed after grant closeout.

If the grantee wishes, they may use SCDP funds to pay for the share of A-133 audit costs that relate to the percentage of SCDP funds audited. For example, if an A-133 audit is required, and SCDP funds represent 50% of audited federal expenditures, SCDP funds can be used to pay for no more than 50% of A-133 audit costs.

In order to use SCDP funds to pay for A-133 audit costs, the grantee must procure audit services as outlined in the "Procurement" section of the Common Rule (see link in **Financial Management**).

SCDP funds cannot be used to pay for any portion of a non-A-133 audit.

The Catalog of Federal Domestic Assistance Number for the Small Cities Development Program is 14.228.

A link to the most current version of Circular A-133, can be found at:
<http://www.whitehouse.gov/omb/circulars/a133/a133.html>

Background and Goal of the SCDP

(Effective 7/1/07)

The Community Development Block Grant (CDBG) program is a federal program that provides funding for housing and community development. In 1974, Congress passed the Housing and Community Development Act, Title I, which authorized the development of the CDBG program. The program, administered by the U.S. Department of Housing and Urban Development, consists of two components: an entitlement program that provides funds directly to urban areas and a Small Cities Development Program (SCDP), which provides funding to non-entitlement communities.

The Minnesota Department of Employment and Economic and Economic Development (DEED), Business and Community Development Division, is responsible for state administration of the federally funded community development and assistance programs, including the SCDP.

The goal of the SCDP is to develop viable, eligible communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

Citizen Participation

(Effective 7/1/07)

Aside from the Comprehensive Plan or Community Needs Plan, required as part of the SCDP Application process, all parties to applications to the SCDP program are also required to provide for citizen notification and involvement in the planning and implementation of the proposed project through at least one public hearing, held prior to submission of the SCDP Full Application. The requirements of the public hearing may be met at an overall planning meeting or at a separate meeting.

Applicants may use the Citizen Participation Plan shown in Appendix C of this Guide, and on the DEED website at:

http://www.positivelyminnesota.com/Government/Financial_Assistance/Small_Cities_Development_Program/Application_Process/SCDP_A-Z_Guide.pdf

or they may develop their own, provided their own format meets the requirements outlined in the example.

A citizen participation plan that covers each party to an application must be submitted with the SCDP Full Application.

Closeout

(Effective 4/10/07)

Grantees must complete and submit the final Annual Report within:

- 30 days of the scheduled end date of the grant,
or
- 30 days of the completion of the project, if earlier than the scheduled end date.

However, because SCDP must report to HUD every year for the period ending 9/30, every grantee must submit an Annual Report by 10/10.

For the closeout, SCDP grantees are required to submit the Annual Report, with the addition of the seventh page, which addresses a few additional requirements of the Program.

In addition to the report, grantees are required to submit any A-133 audits containing SCDP grant funds, even if the audits are completed after grant closeout. (See Audit Requirements.)

Conflict of Interest

(Effective 4/10/07)

Grantees need to evaluate conflicts and potential conflicts involving its public officers, any employee, or agent; any member of his/her immediate family, his/her partner, or any organization which employs, or is about to employ, any of the above, among others.

Conflicts of interest and potential conflicts of interest are governed by both Minnesota Statutes and Federal Regulations at:

- Minnesota Statutes 471.87-471.89 and 412.311
- Federal Regulations at 24 CFR, Part 570.611

In addition, there may be local laws governing conflict of interest.

- Grantees are responsible for evaluating conflicts in the context of the Minnesota Statutes, and any local laws.
- SCDP Representatives (with the assistance of the Minnesota Office of the Attorneys General, if needed) are responsible for evaluating conflicts to the federal laws, and granting exceptions to those laws, where warranted.

If grantees need to request an exception to the Federal conflict of interest regulation, they must provide the Department of Employment and Economic Development with:

1. An opinion of the grantee's attorney stating that the interest for which an exception is sought would not violate State or local law, or falls under the "exceptions" of the State or local law.
2. A description of the nature of the conflict. Include sufficient detail, such as the relationship that results in the conflict, how long the person has been in the position (if applicable), whether the person is in a position to gain inside information, whether the person participates or participated in any part of the grant decision making process (such as voting to submit the application to SCDP, approving individual applications), whether the interest or benefit was present before the person was in their current position, etc.
3. Evidence that there has been a public disclosure of the conflict (i.e., copy of council minutes, copy of meeting announcement with conflict on the agenda).

Any correspondence and support documentation must be retained by the Grantee in a separate file. SCDP staff will review this information and make a written determination on whether the situation would warrant granting an exception to the Federal conflict of interest provisions.

A sample "Conflict of Interest Interview Form" that grantees may feel free to use or adapt can be found at Appendix A. A fillable, "Word" version of the form is available from your SCDP Representative.

Disbursement Requests/Payment Holds

(Effective 4/10/07)

After grantees have submitted the signed grant agreement, DEED has executed the agreement, and after grantees have completed the necessary environmental review process and addressed pertinent grant requirements, SCDP staff will e-mail a Disbursement Request Form (Excel format) to grantees and consultants. If a paper version of the form is desired, contact your SCDP Representative.

A calendar indicating due dates for signed and dated Disbursement Request Forms will be e-mailed to grantees on an annual basis.

Submission Guidelines:

- Only one request per grant, per disbursement period, will be processed.
- Fax, e-mail (a PDF form*) or mail the signed request into SCDP;
- Requests are processed on a bi-weekly (every other week) basis, although they may be submitted at any time.
- Requests must be for a minimum of \$2,000.
- Round the amount drawn per activity to the nearest whole number (no “cents”)
- 10% of the budgeted and obligated administrative may be withheld by DEED until all project activities are completed.
- Grantees must apply Program/Generated Income to obligations first, or as approved by DEED, before requesting additional funds (see Program/Generated Income).
- If requesting funds for anticipated costs, the timing of cash advances shall be as close as possible to the actual disbursement. Grantees should regard payments as being generally on a reimbursement basis.
- Funds requested to cover eligible government costs (including HRA or RDC costs), must be on a cost-reimbursement basis only.

Processing/Payment Guidelines:

- Requests received by the end of the business day every other Friday will be reviewed and, if approved, processed the following Wednesday.
- Funds received should be paid out by the grantee in three days, or as close to that as possible.
- Interest earned on funds received but not expended must be returned to the U.S. Treasury.

Payment Holds:

SCDP reserves the right to place payments to grantees on hold for a variety of reasons relating to performance or non-compliance with grant requirements, such as non-submission of required reports, or lack of progress.

Should this occur, SCDP staff will notify grantees in writing and will provide grantees with the opportunity to correct the problem before the payment hold goes into effect.

If the grantee cannot resolve the situation precipitating the payment hold, SCDP staff may find it necessary to terminate the grant.

Drug-free Workplace/Drug-Free Workplace Awareness Program

The Grantee agrees to provide a drug-free workplace by notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited in the Grantee's workplace and specifying actions that will be taken against employees for violation of such prohibition. The Grantee must also establish a drug-free workplace awareness program to inform employees about the dangers of drug abuse, the availability of drug counseling and penalties for violations of the drug-free workplace policy.

Certification for a Drug-Free Workplace (HUD-50070) should be completed by the grantee to certify that they meet Drug Free Workplace requirements. The Grantee will be checked for an executed Certification for Drug-Free Workplace at monitoring. The form can be found at <http://www.hud.gov/offices/adm/hudclips/forms/hud5.cfm>.

DUNS Number

A "DUNS" Number is a unique nine character identification number provided by Dun & Bradstreet (D&B). DUNS numbers are needed for the benefitting business in a commercial rehabilitation and for all communities entering into SCDP grant agreements.

DUNS numbers are also required of all SCDP grantees (cities and counties) and all applicants for commercial rehabilitation assistance. Additionally, some contractors being paid with American Recovery and Reinvestment Act (ARRA) funds are required to have DUNS numbers. Please consult your SCDP Rep. about ARRA compliance.

To get assigned a free DUNS number, the business would call 1-866-705-5711, or visit <http://fedgov.dnb.com/webform/>.

Eligible/Ineligible Applicants

(Effective 7/1/07)

Eligible applicants to the Small Cities Development Program (SCDP) are cities and townships with populations under 50,000 and counties with populations under 200,000. Applicants to the SCDP must not receive Community Development Block Grant (CDBG) funds directly as an Entitlement City or Urban County. Indian tribal governments, which can receive funds directly from HUD, are ineligible. Eligible applicants can apply for an activity that could benefit Tribal members, although not exclusively.

The following are ineligible for SCDP funding:

- Counties of Anoka, Dakota, Hennepin, Ramsey, St. Louis and Washington (including all units of local government within these counties) and cities of St. Cloud, Moorhead and Rochester.

In addition:

- Eligible applicants may apply on behalf of other, eligible applicants. See “Joint Community Applications” in the Applying to the SCDP section of this Guide.
- Each applicant shall be included in no more than one application per year (for instance, if a county applied for funds, and a city within the county applied for funds, the county application must exclude the city applying separately);
- Each applicant can receive no more than one SCDP grant per year, not including an economic development grant;
- Applicants must be in substantial compliance with all applicable State and Federal laws, regulations and Executive Orders that pertain to the Small Cities Development Program;
- Applicants must not have unresolved monitoring or audit findings from a previously-funded SCDP project;
- Applicants must be making substantial progress on a previously-funded project.

Environmental Review

(Effective 4/10/07)

All grantees must conduct an environmental review on their project, before SCDP can release funds. If a funded activity has already had an environmental review done for another funding source, or for the same activities in a previous year that information can be used in the SCDP environmental review, but certain steps must be taken independent of the other review, to satisfy HUD requirements.

Although consultants may be hired to do some of the work needed for the environmental review, grantees themselves must assume the legal responsibility for the results of the environmental review. Grantees cannot incur costs for grant activities prior to approval and clearance of the environmental review.

DEED is assigned the responsibility of issuing an approval of the grantee's environmental review. Until this approval is granted, and the release of funds issued, costs cannot be incurred, except as provided in the section entitled **Pre-award Costs**.

Details on the environmental review process are contained in DEED's "Step-by-Step SCDP Environmental Review" packet, which all new grantees receive from their SCDP Representative or at

http://www.positivelyminnesota.com/Government/Financial_Assistance/Small_Cities_Development_Program/Compliance_Manuals_Hbooks/EN-A-EnvironmentalReviewOverview.pdf.

Fair Housing, Equal Opportunity and Civil/Human Rights

(Effective 7/01/07)

Grantees are required to carry out all SCDP activities in compliance with civil rights laws and regulations, including the Minnesota Human Rights Law.

The laws and regulations, specific information on the actions that must be taken by grantees, along with definitions, tracking forms and a Section 3 survey for contractors, can be found in the Fair Housing/Equal Opportunity Handbook, available at:

http://www.positivelyminnesota.com/Government/Financial_Assistance/Small_Cities_Development_Program/Compliance_Manuals_Hbooks/Fair_Housing_Equal_Opportunity_Hbook_04.pdf

Fair Housing/Equal Opportunity Reporting & Tracking:

During the project, grantees will be required to provide the following information to DEED on the Annual Report:

- Actions taken to promote fair housing during the grant year
- The race/ethnicity/of the beneficiaries of program activities
- The number of female headed households of the beneficiaries of program activities
- The contracts awarded to women, minority and Section 3-owned businesses, including contract amount and race/ethnicity of those business owners
- Section 3 employee information on contracts over \$100,000, which including the total new hires, job category, number of employees and trainees, the race/ethnicity, and whether they are female.

Equal Opportunity Contract Requirements:

The “Contracting/Contract Award Requirements” section of the Fair Housing/Equal Opportunity Handbook (see link, above) contains information on Executive Orders, laws and clauses that must be referenced in, or inserted into all bid and contract documents using SCDP funds.

For public facilities projects or other direct grantee contracts, grantees must make sure that the full text of the following documents are inserted directly into bid documents and contracts:

- List of all applicable laws (FHEO handbook, Illustration 1)
- Executive Order 11246, for contracts in excess of \$10,000 (FHEO handbook, Illustration 10)
- Section 3 Clause for all contracts in excess of \$100,000 (FHEO handbook, Illustration 11)
- Applicable Uniform Administrative Requirements (FHEO handbook, Illustration 4)

For rehabilitation projects, Grantees should make sure that the contracts contain the following provisions:

- Equal Employment Opportunity: “The contractor shall provide equal employment opportunity to all persons without discrimination as to race, color, creed, religion, national origin, sex, age or disability.”
- Affirmative Action: “To the extent possible and practical, the contractor will take affirmative action to provide employment opportunities to all persons without regard to race, color, creed, religion, national origin, sex, age, or disability.”
- Section 3: “To the extent feasible, the contractor shall provide opportunities for training and employment to lower income residents of the area, particularly residents of public or federally assisted housing.”

Federal Objectives for Applicants

(Effective 7/1/07)

Overview

Federal regulations require that, aside from administration, each activity funded in whole or in part with SCDP funds must meet one of three Federal Objectives. As part of the Full Application (or the Supplemental Application for public facility projects), applicants must be able to demonstrate how each activity will meet one of the Federal Objectives:

- The activity must principally benefit low and moderate income persons and/or households, on either an individual household basis or an area basis; or
- The activity must prevent or eliminate slums and blight, on either an area basis or an individual building basis; or
- The activity must alleviate an urgent community development need.

LOW AND MODERATE INCOME (LMI): These activities must primarily serve persons and households whose total income from all members does not exceed 80% of the Area Median Income, adjusted for household size. These income figures are determined by HUD annually. The most current income limits can be found at: <http://www.huduser.org/DATASETS/il.html>. LMI can be served either directly, or on an area basis, depending on the activity:

→ **Low and Moderate Income (LMI), Direct Benefit:** *Commonly used for owner-occupied housing rehabilitation, rental housing rehabilitation, relocation, new construction of residential housing, activities in support of new, affordable housing development and abatement of public facility assessments.*

- Applicants must state that they understand that all single-family households assisted with SCDP funds are LMI (see **Income/Household Definitions** for the SCDP). 51% of units in a multi-family rental building must be occupied by LMI households, and 51% of the units in the building must have rents that are “affordable.” (See definition of “Affordable Rents,” on next page.)

Exception 1: For rental duplexes, at least one of the two units (50%) must be occupied by an LMI household, and the rent on at least one unit must be “affordable.”

Exception 2: SCDP can allow funds to be used for new construction of non-elderly, multi-family rental structures, where LMI occupancy/“affordability” will be between 20% and 50%. The SCDP portion of the total development costs may not be greater than the portion of units occupied by LMI households. Total costs include land acquisition and construction, along with design and engineering. (Example: If the total cost of an 8-unit multi-family development is \$1 million, and the occupancy by LMI is to be 25% (2 units), no more than \$250,000 of SCDP funds could be provided. For projects like this, there are generally more than two funding partners involved, so the SCDP contribution would be less than 25%..)

Applicants must establish and follow policies and procedures for determining income eligibility based on household size, and affordable rents, as necessary, to document the LMI direct benefit.

Affordable Rents for SCDP

For Rehabilitation of Existing Unit (not including “conversion” projects): Affordable rents are HUD’s Fair Market Rents (FMR’s) or the Section 8/voucher “payment standard” (adopted by the grantee and made public).

For New Construction/Conversion Projects: The SCDP applicant is free to use either:

- 1) the FMR or Section 8/voucher “payment standard” for the number of bedrooms in each unit,
or
- 2) a rent that will be affordable to households at 60% of area median, adjusted for household size.

HUD Fair Market Rents can be found at: <http://www.huduser.org/DATASETS/fmr.html>

→ **Low and Moderate Income (LMI), Area Benefit:** Commonly used for public facilities activities, aside from utility hookups on private property that are done as part of rehabilitation. (See LMI Direct Benefit.)

At the time of the Pre-Application, applicants must demonstrate how at least 51 percent of the benefiting area’s residents meet HUD Section 8 income guidelines, using:

- the most recent HUD census data, if the census area matches the benefiting area exactly, such as for a citywide benefit (the table, HUD 2000 LMI Census Data for MN Non-entitlement Communities is available at http://www.positivelyminnesota.com/Government/Financial_Assistance/Small_Cities_Development_Program/Application_Process/HUD2000Census.pdf or
- a valid community or benefiting area survey to determine LMI benefit. If a survey is used, applicants must submit a copy of the income survey and the “SCDP Survey Results Spreadsheet – LMI Area Benefit” (or equivalent) to SCDP, along with their Pre-Application. The survey must include only those people who physically benefit from the improvements. A sample survey and a fillable “SCDP Survey Results Spreadsheet – LMI Area Benefit” can be found on the SCDP website. (Note: *The Spreadsheet file contains two worksheets – a filled-in example and a fillable version.*) The most recent HUD income limits adjusted by household size must be used in the survey. Go to: www.huduser.org/datasets/il.html, click on the most recent income limits, then the state map, then open the PDF file.

→ **Low and Moderate Income (LMI), Limited Clientele:** These activities benefit a specific clientele presumed to be LMI. The following groups can qualify:

- abused children
- elderly persons
- battered spouses
- homeless persons
- illiterate adults

- persons living with AIDS
- migrant farm workers
- persons meeting the census definition of severely disabled adults, found at:

<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/memoranda/disabledpersons1997.cfm>

In addition, activities of such a nature and in such a location that it may be concluded that the beneficiaries will be primarily LMI (for example, a day care center in a public housing complex) may qualify under this Federal Objective.

ELIMINATION OF SLUMS AND BLIGHT: These are activities which help to prevent or eliminate slums and blighted conditions. This activity can be conducted either on an area basis, or a spot basis.

→ **Slum and Blight Area:** *Commonly used for commercial rehabilitation, although acquisition and demolition may also be done.*

Applicants must submit:

- A map showing the boundaries of the target area; and
- One of the following:
 - 1) a letter from the applicant, signed by either the chief executive officer (mayor/board chair) or the applicant's legal counsel, or
 - 2) a council/board resolution

The above must certify that the target area meets a legal definition of slum, blighted, deteriorated or deteriorating area under state or local law (indicate the state or local law used), and that the SCDP-funded activity will be used to alleviate conditions that contributed to the determination of slum and blight area. For rehabilitation, SCDP has generally interpreted this to mean that SCDP funds can only be applied to exterior rehabilitation, along with handicap accessibility and energy improvements and building (not business-specific) code violation corrections.

The letter or resolution must indicate the total number of buildings (including commercial, residential, municipal and any other) in the target area, and the number and percentage of them which are substandard. At least 1/4 (25%) of buildings in the target must be substandard to apply for SCDP funds..

State statutes contain two definitions that can be used as the basis for this determination:

The Minnesota HRA statute definition of "blighted area" at 469.002, subdivision 11, at:

http://ros.leg.mn/bin/getpub.php?pubtype=STAT_CHAP_SEC&year=current§ion=469.002&image.x=20&image.y=8);

or

The TIF definition at Minnesota statute (469.174):

(<http://www.revisor.leg.state.mn.us/bin/getpub.php?type=s&num=469.174&year=2006>)

- **Slum and Blight Spot:** *Commonly used for acquisition or demolition of hazardous buildings when there is no planned reuse of the land that meets another federal objective. (Example: If SCDP funds are being requested for acquisition & demolition of a vacant, dilapidated building to make way for affordable housing, because the planned re-use is low and moderate income benefit, apply for the acquisition and demolition under the Low and Moderate Income Direct Benefit federal objective.)*

Rehabilitation done under spot slum and blight is limited to correction of hazardous conditions detrimental to public health and safety. Because of this, commercial rehabilitation is usually done under Slum or Blight Area, and residential rehabilitation is usually done under Low and Moderate Income Direct Benefit.

Applicants must:

- indicate the location(s) on a map, of target buildings; and
- demonstrate that the entire building (for acquisition/demolition), or certain building conditions (for rehabilitation), are hazardous to public health and safety; and
- show how the proposed activity will eliminate those specific conditions of blight or physical decay.

URGENT COMMUNITY DEVELOPMENT NEED: *In general, these activities are part of federal level or other, significant disaster recovery projects. Contact your SCDP Representative if you have questions.*

- **Urgent Community Development Need:** Can be used for disaster recovery projects.

Applicants must demonstrate:

- that the condition (damage to homes, businesses, infrastructure, etc.) is associated with an event, or became critical or developed within the preceding 18 months;
- that the existing condition or conditions post a serious and immediate threat to the health or welfare of the community, which would be alleviated by the activity, and
- that other funds (including local funds, FEMA, DNR, insurance, etc) are unavailable or inadequate to correct the condition or conditions. SCDP funds must be used to fill gaps in funding.

Federal Objectives for Grantees

(Effective 7/01/07)

Grantees must maintain documentation on how each activity conducted met a Federal Objective. When monitoring (see “Monitoring”), SCDP staff will review grantee records for the following for each Federal Objective:

→ **Documenting Low and Moderate Income (LMI) Direct Benefit:**

- policies and procedures for determining income eligibility (which were followed).
- third party income verification evidence, household size information and income calculations, along with the income limits in place for the household size at the time of household application. This information must be maintained in individual files.
- for rental projects, documentation of adherence to “affordable rents” policy, including occupancy records featuring household income, size and rent, including tenant-paid utilities, aside from telephone, internet, etc. This information must be maintained in individual files.

→ **Documenting Low and Moderate Income (LMI) Area Benefit:**

- By HUD Census Data: A copy of HUD Census data documenting the LMI percentage is 51% or more,
or
- By Survey: Actual survey responses, sorted by LMI/non-LMI households, a survey response summary (if used) and the “SCDP Survey Results Spreadsheet – LMI Area Benefit.” For sample Survey Results Spreadsheet see:
http://www.positivelyminnesota.com/Government/Financial_Assistance/Community_Development_Funding/Small_Cities_Development_Program_2.aspx
- evidence that activities benefited the area presented in the application.

→ **Documenting Low and Moderate Income (LMI) – Limited Clientele:**

- documentation showing the project is designed to be used exclusively by a segment of the population presumed by HUD to be LMI persons;
or
- documentation describing how the nature and location of the project establishes that it will be used predominately by LMI persons.

→ **Documenting Slums and Blight on an Area Basis:**

- certification that target area meets definition of slum, blighted, deteriorated or deteriorating area under state or local law;
- evidence that all buildings rehabilitated are in the selected target area;
- evidence that SCDP funds were used for eligible program activities

→ **Documenting Slums and Blight on a Spot Basis:**

- map(s) indicating target building(s);
- evidence that the entire building, or certain conditions of the building(s), were determined to be hazardous to public health and safety; and
- evidence that SCDP funds were used only to eliminate the specific hazardous conditions

→ **Documenting Urgent Community Development Need:**

- evidence of disaster declaration;
- evidence that other sources of funding were not available to cover all activity costs (letters of denial to city from federal/state agencies, individual home/business owners, etc.)

Financial Management

(Effective 4/10/07)

Each grantee must establish and maintain a system for financial management of the grant which is in compliance with federal requirements.

Grantees are strongly advised to carefully read the requirements governing this area found in OMB Circulars and rules found at:

- OMB Circular A-87, which addresses principles for determining allowable costs. This Circular consists of two parts, both of which are found at http://www.whitehouse.gov/omb/circulars/a087/a87_2004.pdf
- The Common Rule - The federal guide for Uniform Administrative Requirements (24 CFR Part 85) for assistance to state and local governments. This document can be found at: http://www.access.gpo.gov/nara/cfr/waisidx_01/24cfr85_01.html .

Grantee accounting systems must provide accurate, current and complete information on the financial status of each grant-supported activity. The system must be of sufficient detail to generate financial status reports which indicate the funds budgeted by activity, along with the amount obligated and expended, by activity.

All costs charged to the grant must be reasonable, allowable and allocated to the correct program activity.

All accounting documents must be supported by source documentation such as payroll records, invoices or vouchers.

Where applicable, grant activities funded by sources other than Small Cities funds (including program income from grantee revolving loan funds) must appear and be traceable within the financial management system.

All staff or employees (including employees of HRA's, CAP's, etc.) paid in whole or in part with SCDP funds must prepare timesheets indicating the hours worked on all activities, including SCDP activities, per pay period. Payrolls must be based upon these timesheets.

Procurement of services and goods (engineering, construction, audit), must follow a competitive process, described briefly in the "Procurement of Goods and Services" Section of this Guide, and in the "Procurement" section of The Common Rule (citation above).

Grant Agreement

(Effective 4/10/07)

The agreement lists the award amount of the project, the budget, the grant period and the conditions of the award. It should be carefully reviewed by grantees prior to signing. The conditions in the grant agreement are the state and federal rules, laws, orders and regulations that are applicable to the Small Cities Development Program.

When monitoring SCDP projects, DEED staff will review grantee files for compliance with conditions in the grant agreement.

Changes to the Grant, including Extensions & Budget Revisions –

Since the application becomes a part of the grant agreement, any change to the approved program or budget becomes a grant agreement change. Grantees must request any potential changes in writing, in advance, and all changes must be approved in writing by DEED. Grantees should not assume that requests for changes will be approved.

Requests for significant changes in activities or goals will require DEED to re-evaluate the initial rating of the grant application. If, in incorporating the requested change, the project would have still been funded, DEED may approve the request.

If rehabilitation goals cannot be met in the original target area, SCDP encourages grantees to discuss the options for changes to the target area with their SCDP Representative long before the scheduled end date of the grant, so that grant funds can be fully utilized.

To request a change, grantees should follow these steps:

1. Using the Grant Adjustment Request form (contact your SCDP Representative), provide a narrative describing the change requested and the reason the change is being requested. This must include a justification on why the grantee believes the change will benefit the project. If a budget revision is necessary, provide that information on the form as well, showing a requested goal change, if applicable.

If a target area change is being requested, a map and/or description of the changed area must be included with the request.

If the change is to a previously-designated Slum and Blight target area, the grantee must provide documentation that the newly-defined area meets the requirements of the original statutory designation (see Federal Objectives of the Program for Applicants).

The form must be signed by the Authorized Official of the grantee that signed the original grant agreement.

2. Citizen Participation. When requesting substantial changes to the project, the grantee must allow for citizen participation. A requested substantial change is defined as:

- a. an increase, decrease or change to the target area of the grant as approved (unless the full application proposed expanding the target area at some point);
- b. a change in the funds budgeted for an activity that would significantly alter the impact of the activity;
- c. introduction of an activity not in the approved project; or
- d. deletion of an activity that was part of the approved project.

The change(s) must be discussed at a public hearing, and comments and/or objections solicited from affected parties, especially when the grantee proposes to reduce the benefit of grant funds to persons of low and moderate income. Minutes from the public hearing, summarizing citizen comments/objections and the grantee's response, must be included with the request for a change.

3. If the proposed change is to increase/change the target area or add an activity not previously addressed by the environmental review, the grantee may need to re-evaluate the environmental review. Ask your SCDP Representative about this requirement.

Income/Household Size Definitions for SCDP

(Effective 4/10/07)

In calculating household income for Low and Moderate Income Direct Benefit activities (see Federal Objectives for Applicants), grantees must remember the following:

- Household income must be projected 12 months ahead, from the time of application. While useful to look at income from the past 12 months as an indicator of what the applicant will probably receive, your process must ask about anticipated changes to the applicant's income.
- No deductions are taken from the anticipated gross income for the purpose of determining eligibility.
- SCDP requires independent third-party, written verifications on gross household income, wherever possible. You can find forms/templates for this in the SCDP Rehabilitation Guides for rental and owner-occupied rehabilitation, at:
http://www.positivelyminnesota.com/Government/Financial_Assistance/Community_Development_Funding/Small_Cities_Development_Program_7.aspx

Income Eligibility Determination: Income projections must include but not be limited to: salary, commissions, bonuses, earnings from part-time employment, interest, dividends, tips, gains on sale of securities, annuities, pensions, royalties, veterans administration compensation, net rental income from all sources, alimony & child support (if received), public assistance, sick pay, social security benefits, income received from business activities or investments, unemployment compensation, estate or trust income, and other miscellaneous income.

Income from self-employment can be projected using the average of the last two years of income from Federal tax statements.

Income of or resulting from foster children, live-in aids, children of live-in aides or children being pursued for legal custody or adoption who are not currently living with the household can be counted, but only if these same individuals are counted as residents of the household, as described below.

A list of income types that can be included/excluded can be found under "Part 5 exclusions" at: <http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm>

Household Size: Beneficiaries of housing rehabilitation and other direct benefit LMI activities (see Federal Objectives for Applicants) must qualify by income, adjusted for household size. See <http://www.huduser.org/DATASETS/il.html> for the most recent income/household size information for Minnesota. A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. A dependent child who is living outside of the home (i.e.,

students living in a dormitory or other student housing) may be considered for these purposes to be part of the family upon which he/she is dependent, even though he/she is living in another housing unit. The following can be counted when determining household size, but income of or resulting from these individuals must be taken into consideration for income purposes, above: foster children, live-in aides and children of live-in aides, unborn children and children being pursued for legal custody or adoption who are not currently living with the household.

Income Limits: Income limits by household size for the SCDP program can be found at: <http://www.huduser.org/DATASETS/il.html>. Limits are adjusted annually, generally in the Spring, and grantees are expected to use the most current limits with applicants.

Labor Standards

(Effective 4/10/07)

Labor Standards laws apply to projects using SCDP funds and involving physical construction such as public facilities, commercial rehabilitation and residential rental rehabilitation of eight or more units on a site. Rehabilitation of single family, detached housing units is exempt.

When a contract for work that includes SCDP funds is bid or awarded, the contractor and subcontractors must comply with the applicable labor standards laws. Administrators are required to ensure compliance with these Laws.

Joint Funded Projects: Projects with joint funding (PFA loan, MnDOT, etc.) may require application of state prevailing wages. Wages and provisions which are most beneficial to the employee must be paid and/or made. Contact the State agency responsible for the matching funds for specific instructions.

Details are contained in DEED's "Labor Standards" packet. Contact your SCDP Representative, or the SCDP Labor Standards staff for the packet, or more information.

Lead Policy

(Effective August 2010)

The following procedures shall apply to all SCDP funded residential rehabilitation projects.

1. All participants in SCDP assisted housing programs must receive the HUD/U.S. Environmental Protection Agency publication entitled, "Renovate Right Brochure." All rehabilitation files must contain evidence that all participants and tenants have received the notification.
2. All contracts entered into for the purpose of rehabilitating housing units with SCDP assistance must contain language which explicitly prohibits the use of lead based paint in the construction process, and requires appropriately trained and/or licensed lead supervisors and workers, and references lead safe work practices.
3. For all residential units built on or before 1978, grantees must require a lead risk assessment to be conducted by a licensed lead risk assessor.
 - The results of that assessment must be incorporated into the rehabilitation work write up for the property.
 - Occupants must receive a "Summary Notice of Lead Based Paint Risk Assessment Notice".
4. Defective paint conditions which contain lead based paint must be corrected in accordance with methods that ensure the safety of residents and contractor (Lead Safe Work Practices) and the work must be conducted by appropriately trained and licensed lead supervisors and workers.
5. For residential rental properties, grantees must address temporary relocation issues and needs of renters as appropriate and in accordance with the Uniform Relocation Act.
6. DEED requires a licensed supervisor for residential rehabilitation projects where lead hazards have been identified by risk assessment, regardless of the total costs of the project or the amount of federal assistance. Because of the licensing requirements and process, we can assume that a licensed supervisor is qualified to deal with the basic requirements of lead hazard issues as well as any unexpected situations that may arise during the rehab project. The presence of a licensed supervisor on site establishes a "responsible party" for oversight of the project and limits the liability for the program.

If the lead licensed supervisor is present at the construction site the entire time during the lead remediation activity then the worker(s) do not need to be lead worker trained, but if the supervisor is off site at any time during the lead remediation work then the workers must be two day lead worker certified.

7. As appropriate, a clearance examination must be conducted by an appropriately trained and licensed professional and should not be the same person who conducted the lead hazard reduction work.

8. The “Summary Notice of Completion of Lead Based Paint Hazard Reduction Activity” must be sent to property owners and receipt of this notice should be in individual rehabilitation files.

Minnesota Statutes 144.9501-144.9509 cover Lead Hazard Reduction, Abatement, Prevention and Training and Licensing and the rules governing this law are in Chapter 4761.2000 to 4761.2700.

Abatement is required under the following circumstances only: (1) When abatement is ordered by the Department of Health or Health Board; (2) When property owners choose or intend to abate; (3) When required as a condition of mortgage; or (4) When public funds are available specifically for lead abatement and costs exceed \$25,000.

Monitoring

(Effective 4/10/07)

The goals of monitoring is to examine activity progress and compliance with CDBG and other federal requirements and to evaluate organizational and project performance. Grantees will be monitored onsite at least once during the term of the grant agreement.

There are two types of monitoring:

- Onsite Monitoring
- Ongoing Monitoring

Onsite monitoring consists of DEED reviewing the following areas:

- Federal Objective
- Grant and Financial Management
- Activity Specific
- Environmental
- Labor Standards
- Fair Housing/Equal Opportunity/Section 3
- Lead Paint Remediation Activities

Ongoing monitoring consists of DEED reviewing the items below at anytime during the grant period:

- Annual Reports/Performance Measurements
- Disbursements Requests
- Information regarding grant progress
- Labor Standards-Notice of Awards and Final Reports
- Requested information

Policy Development for Funded Activities

(Effective 4/10/07)

Grantees conducting rehabilitation, acquisition, relocation and homeownership assistance must have or must develop policies and procedures prior to starting the program, as required in the grant agreement. Policies on limits of assistance, financial package, target area, etc., must match the information in the funded application.

In addition, sample policies from previous programs can be provided by SCDP staff, and sample forms are available either in the Rehabilitation Guides on SCDP's website at http://www.positivelyminnesota.com/Government/Financial_Assistance/Community_Development_Funding/Small_Cities_Development_Program_7.aspx , or for activities other than rehabilitation, from SCDP staff.

Pre-award Costs

(Effective 4/10/07)

SCDP allows grantees to claim and draw down certain, reasonable “pre-award costs,” to which the grantee has committed before the date of the award or the grant agreement.

Pre-award costs that may be eligible include administration, engineering and design work necessary to comply with the proposed delivery schedule of the project activities. Grant application preparation is not an allowable pre-award cost.

Goods and services for which SCDP funds are proposed must be procured as described in the “Procurement of Goods and Services” section of this Guide, and must contain all required provisions for contracts.

No eligible pre-award costs can be drawn down before SCDP clearance of the grantee’s environmental review. In addition, neither the grantee nor any other party can commit SCDP funds to an activity that needs an environmental review (rehabilitation, public facilities, etc.) before SCDP clearance of the grantee’s environmental review.

Procurement of Goods and Services

(Effective 4/10/07)

Regulations governing procurement of goods and services for which SCDP funds will be used require that grantees use competitive processes to procure goods and services. Through the competitive process, two or more vendors or contractors bid to provide the grantee with the most favorable price, quality and service.

The grantee must, at a minimum, include in the contract the applicable provisions described in the “Contract provisions” section of the Common Rule at 24 CFR 85.36(i) (see link at **Financial Management**), as well as the provision for contracts included in the SCDP grant agreement.

Depending on the nature of the purchase and the number of available providers, the grantee may select from these options:

- Small purchase procedures
- Competitive sealed bids (formal advertising)
- Competitive negotiation
- Noncompetitive negotiation

The requirements of each option are spelled out in the “Procurement” section of “The Common Rule.” (For a link, see **Financial Management**.) The nature of the purchase will determine the option chosen. Grantees should also adhere to any state and/or local procurement procedures that cover the situation.

Contracts should be reviewed by the grantee’s legal counsel to assure that normal prudent safeguards are included in the contract language, that specification of the goods or services to be provided are clear, and that compliance with restrictions are met.

Application Preparation: Use of SCDP funds for application preparation is not allowed.

Grant Management Services: Applicants are encouraged to procure grant management services, if needed, before the SCDP Full Application is due, using an allowable process, if SCDP funds will be used. See the “Contracting for Professional Services with Administering Entity” in the Program Concept, and “Administrative Capacity/Agency Capacity/Performance Table” in the Pre-Application Guide, for more information.

Documentation of Procurement Processes: If a grantee has not adequately documented a procurement process, the grantee may be liable for all funds expended on the good or service.

Debarment: No SCDP-related contracts (construction, audits, management, etc.) may be awarded to contractors and subcontractors who have been debarred or otherwise suspended from receiving Federal contracts or certain subcontracts. Grantees must check with the following federal website prior to awarding contracts: <http://www.epls.gov/eplsearch.do>. Evidence of this determination must be readily available to DEED through the life of the project.

Program/Generated Income

(Effective 4/10/07)

Definition: Program/Generated Income is defined as income generated by the SCDP-funded activities, which include:

- loan repayments (with interest, if applicable),
- proceeds from the sale of property purchased with SCDP funds,
- interest earned on the Program/Generated Income itself, once back under the control of the grantee, and/or
- fines assessed on SCDP funded contracts, among other things.

Program/Generated Income includes not only funds generated by SCDP grants, but also by the Small Cities Economic Development Set Aside Program, also administered by DEED.

- Program Income is earnings on grants awarded 1993 – 2005.
- Generated Income is earnings on grants awarded 2006 and later.

Reporting: During active grant periods, reporting of Program/Generated Income from all grants is done on the active grant's Annual Report. After closeout, reporting is continued on Post Closeout Program/Generated Income Reports. Both before and after closeout, the state-defined report year is October 1 through September 30.

Earnings: If earnings on all grants (1993 and forward) in a report year are \$25,000 or more, all of those earnings must follow SCDP program requirements (federal objective, environmental, labor standards, etc.).

In addition, all earnings on 2006 and later grants must follow SCDP program requirements.

Uses: Grantees must use all earnings of \$25,000 or more in a single year from all grants on approved activities, which may include being used on current grant activities.

During 2006 and later grants, SCDP may allow grantees to retain their pre-2006 earnings to be used on approved activities not included in the current grant.

On 2006 and later grants, grantees must spend all earnings on current activities while the grant is open, and on SCDP approved activities after closeout.

In addition, after closeout, grantees must use all earnings on 2006 and later grants within two (2) years after the earnings period, or they must return the funds to SCDP. (Example, if \$500 is earned in the 2009 reporting period (10/1/08-9/30/09), the grantee would have until September 30, 2011 to spend the funds, after which they must return them to SCDP.)

Example: During the 2007 (10/1/06-9/30/07) report year, Frostbite Falls had:

- a 1996 project with \$19,000 of PI received
- a 2000 project with \$4,000 of PI received, and
- a 2006 project with \$2,000 of GI received (active grant)

The total is \$25,000, so Frostbite Falls must use the funds either to reduce draws on the current grant, or on other SCDP approved activities. In addition, the city must use the \$2,000 earned on the 2006 project to reduce draws on the current grant.

Changes to Planned Use of Program/Generated Income: After closeout, if grantees wish to use Program/Generated Income for something other than the activities that generated the income, SCDP staff should be consulted.

Establishing & Managing Revolving Loan Funds: A revolving fund is a separate fund with an independent set of accounts used only to track Program/Generated Income. Revolving loan funds may be established for activities approved by SCDP.

- Revolving funds cannot be capitalized directly with grant funds.
- If an organization other than the grantee is administering income-producing activities, the reuse of such income shall be stated in the administrative contract.

Programmatic Agreement

All projects receiving federal funding are required by federal law to complete historical review. The Minnesota State Historic Preservation Office (SHPO) insures reviews are completed properly. The SHPO Programmatic Agreement provides for an exemption from consultation with SHPO for some types of activities on certain properties. This exemption can expedite completion of activities.

Should I complete the SHPO Programmatic Agreement?

If you answer **yes** to any of the following questions, we **do not** recommend using the SHPO Programmatic Agreement.

1. Our project does **not** include Owner Occupied Housing Rehab, Rental Rehabilitation, or Commercial Rehabilitation activities.
2. All of the buildings we will rehabilitate are over 50 years old
3. All of the buildings we will rehabilitate are on the National Register of Historical Places
4. I prefer to submit the SHPO Review and Comment form for every building we intend to rehabilitate.

How do I complete the SHPO Programmatic Agreement?

The SHPO Programmatic Agreement requires some advance planning and a little work, however if you are planning to rehabilitate buildings that are less than 50 years old, it will be well worth your efforts and make property specific environmental simpler and quicker. The Programmatic Agreement requires some time due to some required notices, comment periods and executing of the agreement with SHPO.

A sample Programmatic Agreement and instructions of how to complete at Programmatic Agreement are available at:

http://www.positivelyminnesota.com/Government/Financial_Assistance/Community_Development_Funding/Small_Cities_Development_Program_4.aspx.

Prohibition of Excessive Force

The Grantee agrees to adopt and enforce a policy to prohibit the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations (P.L. 101-144, Section 519).

The grantee should have a resolution adopting this policy. A sample Prohibition of Excessive Force Resolution is located at Appendix F.

Records Retention

(Effective 4/10/07)

Grantees are responsible for retention of financial records, supporting documents, statistical records, environmental review records and all other records pertaining to the project for a period of six years from the date of submission of the final Annual Report, except as follows:

1. Records that are the subject of audit findings (if any) shall be retained for six years or until such audit findings have been resolved, whichever is later.
2. Records for non-expendable personal property that was acquired with grant funds (if any) shall be retained for six years after its final disposition.
3. Records for any displaced person (if any) shall be retained for six years after that person has received final payment.
4. Records pertaining to each real property acquired shall be retained for six years after settlement (closing) of the acquisition or until disposition of the applicable relocation records (if any), in accordance with item 3, above, whichever is later.

Relocation, Antidisplacement and 1 for 1 Replacement

(Effective 4/10/07)

The following are requirements of the SCDP program:

1. Grantees are required to certify, adopt, make public and follow a “Residential Antidisplacement and Relocation Assistance Plan” before starting grant activities. Grantees may develop their own, following the requirements of 24 CFR Part 42.325, or use the sample in Appendix B. (A fillable version of the form, in Microsoft Word, is available from your SCDP Representative.)
2. Grantees must develop and follow a plan for the relocation of residents, where rehabilitation is extensive and disruptive, or where lead work may be/is involved.
3. Whether relocation is likely or not, grantees must provide timely written notices to all tenants (residential and nonresidential) in all buildings to be rehabilitated, so that they may be informed of their rights and responsibilities as part of the project. Samples of these notices and a description of their use can be found in the SCDP Acquisition and Relocation Handbook on the DEED website and in the HUD Handbook, below.
4. To avoid both economic displacement and loss of affordable residential rental units, grantees must track rents in both residential and commercial properties, to make sure that -
 - a. residential rents (which includes all tenant-paid utilities, but not including phone/cable/internet) on occupied are not increased as a result of project activities beyond that which is affordable for the existing tenant (generally rents are affordable if they are no more than 30% of gross income). If this occurs, the tenant is considered to be permanently displaced, and relocation will need to be paid for up to five years.) (If a tenant was already paying more than 30% of income for rent, the rent cannot be raised for the term of the SCDP loan.)
 - b. residential rents (which includes all tenant-paid utilities, but not including phone/cable/internet) on rehabilitated units are not set beyond the Fair Market Rents or the grantee’s adopted payment standard. (If this occurs, the unit is no longer “affordable,” and the grantee will need to prove how the unit will be replaced by an affordable unit within three years of conversion.)
 - c. commercial rents are not raised for one year after the rehabilitation is complete or after the end of the existing lease periods.

Sample letters and forms to meet the requirements in #3 and #4, are provided in the SCDP Acquisition and Relocation Handbook on the DEED website, and in the HUD Handbook (link, below).

5. If “affordable housing units,” either rental or owner-occupied, either occupied or vacant but occupiable, are demolished or converted to a use other than affordable housing (by physical conversion or by rents being raised beyond what is affordable), before the activity starts grantees must develop and make public a “Housing Replacement Plan,” which shows how

the demolished/converted housing will be replaced by units (either rental or owner-occupied) that will be affordable, and will remain so for at least ten years.

“Affordable housing units” may or may not be occupied by low and moderate income households. The determination of whether they are affordable has to do with whether they would, if used for rental housing, be rented at or below the Fair Market Rents (or the adopted payment standard) for the area. An area realtor, landlords or an appraiser may need to be consulted to help determine this.

DEED’s Handbook link:

http://www.positivelyminnesota.com/Government/Financial_Assistance/Community_Development_Funding/Small_Cities_Development_Program_4.aspx

The HUD handbook on Tenant Assistance, Relocation and Real Property Acquisition is available online at:

<http://www.hud.gov/offices/cpd/library/relocation/policyandguidance/handbook1378.cfm>

Reporting Requirements

(Effective 4/10/07)

The SCDP requires grantees to report on grant activities using an Annual Report, which includes a HUD Performance Measurement Data report.

This report will be available from SCDP staff, and must be filled out and returned to DEED electronically.

The report covers the period October 1 through September 30 of each year the grant is active, and is due in DEED's offices by October 10th of each year.

All information requested on the report must be accurately provided for the report to be deemed complete.

Final Report: See Closeout.

Section 3

Beginning with 2011 grants, all grantees must have a written plan in place to indicate the efforts made to direct the employment and other economic opportunities generated by HUD financial assistance for housing and community development programs, to the greatest extent feasible, toward low-and very low-income persons (<80% of AMI), particularly those who are recipients of government assistance for housing.

These efforts could include:

1. Attempted to recruit low-income residents through: local advertising media, signs prominently displayed at the project site, contracts with the community organizations and public or private agencies operating within the metropolitan area (or non-metropolitan county) in which the Section 3 covered program or project is located, or similar methods.
2. Participated in a HUD program or other program which promotes the training or employment of Section 3 residents.
3. Participated in a HUD program or other program which promotes the award of contracts to business concerns which meet the definition of Section 3 business concerns.
4. Others

Grantees must have a written Section 3 plan in place prior to starting projects. This plan will be checked at grant monitoring. DEED staff recommends that Grantees have all potential contractors complete the Section 3 Business Certification Form. If a contractor is working on more than one project, they do not have to complete the form multiple times. If a business is on the current DEED Section 3 list, they do not need to provide further documentation.

Sample Section 3 Plan and Certification forms are available at

http://www.positivelyminnesota.com/Government/Financial_Assistance/Community_Development_Funding/Small_Cities_Development_Program_4.aspx .

Start-up

(Effective 4/10/07)

SCDP staff will provide a disbursement form to grantees after the completion of their environmental review, and after the grant agreement is fully executed. However, there are other requirements which must be completed before grantees can start project activities.

1. Complete the environmental review. (See the “**E**nvironmental Review” section of this Guide and the Step-by-Step SCDP Environmental” packet, available from your SCDP Representative.)
2. Execute the Grant Agreement. (See the “**G**rant Agreement” section of this Guide.)
3. Develop policies for activities, including temporary relocation, if needed. (See the “**P**olicy Development for Funded Activities,” and “**R**elocation, Antidisplacement and 1 for 1 Replacement” sections of this Guide.)
4. Develop, adopt, and make public a “Residential Antidisplacement and Relocation Assistance Plan.” (See the “**R**elocation, Antidisplacement and 1 for 1 Replacement” section of this Guide.)
5. Develop, make public and have available upon request by SCDP a housing replacement plan, if affordable dwelling units are demolished or converted to a use other than low-moderate income housing using SCDP funds. The plan must be approved by DEED. (See the “**R**elocation, Antidisplacement and 1 for 1 Replacement” section of this Guide.)
6. Comply with the conditions of the Grant Agreement

Termination of SCDP Grants

(Effective 4/10/07)

A grant may be terminated prior to the ending date of the grant agreement under the grant contract termination clause. Termination may occur two different ways:

1. Termination for Cause. SCDP may terminate any grant in whole or in part at any time before the date of completion, whenever it is determined that the grantee fails to comply with the conditions of the grant. SCDP staff shall promptly notify the grantee in writing of the determination, the reasons for the termination and the effective date. Payments made to a grantee or recovery of grant funds made by the SCDP shall be within the legal rights and liabilities of both parties.
2. Termination for Convenience. The SCDP or the grantee may terminate grants in whole or in part when both parties agree that the continuation of the project would not produce beneficial results. The parties shall agree upon the termination conditions including the effective date and, in the case of partial terminations, the portion to be terminated. The grantee shall not incur new obligations for the terminated portion after the effective date and shall cancel as many outstanding obligations as possible. The SCDP shall allow the grantee to draw down the federal share of the non-cancelable obligations properly incurred by the grantee before the effective date of the termination.

Appendix A

CONFLICT OF INTEREST INTERVIEW FORM – SAMPLE Small Cities Development Program

Have you or any member of your household or company been, during the last 12 months, an

- Employee _____
- Consultant _____
- Officer _____
- Elected official _____
- Appointed official _____

of the

- State _____ Name Agency:

- Local government/its agents _____ Name Position:

- Managing/consulting agency _____ Name Agency:

or, do you/have you had

_____ immediate family ties or a _____ business relationship with any of the above named persons?

If yes, describe:

Note: If a conflict exists, it may be possible for the grantee and its agents to request an exception to the conflict from the funding agency.

Signature of Applicant:

Date: _____

Appendix B

Residential Anti-displacement and Relocation Assistance Plan for Grantees of the Small Cities Development Program

(Sample)

The [Jurisdiction] anticipates participating in the Minnesota Small Cities Development Program. The consequence of participation is that the potential for displacement exists. The purpose of the Residential Antidisplacement and Relocation Assistance Plan is to describe the steps the [jurisdiction] shall take to mitigate the adverse effects of displacement on low and moderate-income persons.

A. The [jurisdiction] will replace all occupied and vacant occupiable low/moderate-income dwelling units demolished or converted to use other than as low/moderate-income housing in connection with an activity assisted with funds provided under the Housing and Community Development Act of 1974, as amended, as described in 24 CFR, Part 570.606 and 24 CFR, Part 42. All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a contract committing the [jurisdiction] to provide funds for an activity that will directly result in such demolition or conversion, the [jurisdiction] will make public and submit to the Minnesota Department of Employment and Economic Development the following information in writing:

1. A description of the proposed assisted activity;
2. The location on a map and number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as low/moderate-income dwelling units as a direct result of the assisted activities;
3. A time schedule for the commencement and completion of the demolition or conversions;
4. The location on a map and the number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units. If such data are not available at the time of the general submission, the [jurisdiction] will identify the general location on an area map and the approximate number of dwelling units by size and provide information identifying the specific location and number of dwelling units by size shall be submitted and disclosed to the public as soon as possible;
5. The source of funding and a time schedule for the provision of replacement dwelling units;
6. The basis for concluding that each replacement dwelling unit will remain a low/moderate-income dwelling unit for at least 10 years from the date of initial occupancy.
7. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units) is consistent with the housing needs of low and moderate-income households in the jurisdiction.

The [jurisdiction] may request the Minnesota Department of Employment and Economic Development to recommend that the U. S. Department of Housing and Urban Development approve an exception to required replacement housing if there is an adequate local supply of vacant low/moderate-income dwelling units in standard condition. Exceptions will be reviewed on a case-by-case basis as described in 24 CFR, Part 570.488(c)(1)(B).

B. The [jurisdiction] will provide relocation assistance, as described in 24 CFR, Part 570.488(c)(2), to any lower-income person displaced by the demolition of any dwelling unit or the conversion of a low/moderate-income dwelling unit to another use in connection with an assisted activity.

C. Consistent with the goals and objectives of activities assisted under the Act, the [jurisdiction] will take the following steps to minimize displacement when doing SCDP funded projects:

1. Establish procedures for relocation, tailored to funded activities, that follow Section 104(d) of the Housing and Community Development Act and the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA).
2. Inform applicant owners of buildings with tenants of the need to minimize displacement and of their responsibility to inform their tenants of their intent to minimize displacement during rehabilitation, as much as possible.
3. Stage rehabilitation of residential rental units to allow tenants to remain in the building, complex or general geographic area during the rehabilitation, working with empty, standard-condition units first, if possible.
4. Stage commercial rehabilitation work so that businesses can continue to serve customers while rehabilitation is underway.
5. For public facility activities, schedule utility interruptions so they are as minimally disruptive as possible.

D. Definitions for the purposes of this plan are as follows:

- A “low/moderate-income dwelling unit” is a unit with a market rent, including utility costs, that does not exceed the applicable fair market rent for existing housing and moderate rehabilitation, as established under the HUD Section 8 existing housing program.
- A “vacant occupiable dwelling unit” is a vacant unit that is in standard condition; or in substandard but suitable for rehabilitation condition; or in dilapidated condition and occupied less than three months from the date of the grantee agreement.
- An “occupiable dwelling unit” is a unit that is in standard condition or has been raised to a standard condition from a substandard condition, suitable for rehabilitation.
- A “Standard Condition” dwelling unit is a unit which meets HUD Section 8 Housing Quality Standards (HQS) with no major defects in the structure and only minor maintenance is required. Such a dwelling will have the following characteristics: reliable roofs, sound foundations; adequate and stable floors, walls and ceilings; surfaces and woodwork that are not seriously damaged nor have paint deterioration; sound windows and doors; adequate heating, plumbing, and electrical systems adequate insulation; and adequate water and sewer systems, and not overcrowded (defined as more than one person per room).
- A “Substandard Condition” dwelling unit is a unit if it does not meet HUD Section 8 Housing Quality Standards (HQS) which includes lacking the following: complete plumbing, complete kitchen facilities, efficient and environmentally sound sewage removal and water supply, and heating source. In addition, the dwelling may be overcrowded (defined as more than one person per room).
- A “Substandard but Suitable for Rehabilitation Condition” dwelling unit, at a minimum, is a dwelling unit that does not meet Housing Quality Standards (HQS) with some of the same features as a “substandard condition” dwelling unit. This unit is likely to have deferred maintenance and may have some structural damage such as a leaking roof, deteriorated interior surfaces, and inadequate insulation. A “substandard but suitable” dwelling unit, however, has basic infrastructure (including systems for clean water and adequate waste disposal) that allows for economically and physically feasible improvements and upon completion of rehabilitation meets the definition of a “Standard” dwelling unit.

Appendix D

Local Government Application Resolution – Example

BE IT RESOLVED that _____ (Applicant) act as the legal sponsor for the project contained in the Application to be submitted on _____ (date) and that _____ (Title of First Authorized Official) and _____ (Title of Second Authorized Official) are hereby authorized to apply to the Department of Employment and Economic Development for funding of this project on behalf of _____ (list parties to the application).

BE IT FURTHER RESOLVED that _____ (Applicant) has the legal authority to apply for financial assistance, and the institutional, managerial and financial capability to ensure adequate construction, operation, maintenance and replacement of the proposed project for its design life.

BE IT FURTHER RESOLVED that _____ (Applicant) has not violated any Federal, State or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice.

BE IT FURTHER RESOLVED that upon approval of its application by the State, _____ (Applicant) may enter into an agreement with the State of Minnesota for the approved project, and that _____ (Applicant) certifies that it will comply with all applicable laws and regulations as stated in all contract agreements.

NOW, THEREFORE BE IT RESOLVED that _____ (Title of First Authorized Official) and _____ (Title of Second Authorized Official), or their successors in office, are hereby authorized to execute such agreements, and amendments thereto, as are necessary to implement the project on behalf of the Applicant.

I CERTIFY THAT the above resolution was adopted by the _____ (governing body of Applicant) of _____ (Applicant) on _____ (date).

SIGNED:

(First Authorized Official/Title/Date)

(Second Authorized Official/Title/Date)

WITNESSED:

(Signature/Title/Date)

Appendix E

Sample Cooperative Agreement

The Cities of Frostbite Falls and Dudley (the Communities) agree to submit a joint Small Cities Development Project (SCDP) application for fiscal year 2011 funds.

The Communities agree that the City of Frostbite Falls will enter into and be named Applicant and Grantee for this joint project on a contract with the Department of Employment and Economic Development (DEED). The Communities agree that the Mayor of Frostbite Falls will be the authorized official on the grant agreement with DEED.

The Communities agree to submit a comprehensive application for the activities of owner-occupied rehabilitation, commercial rehabilitation, rental housing rehabilitation and a wastewater treatment plant. Rental rehabilitation and the wastewater treatment plan are being proposed for the City of Frostbite Falls only.

The City of Frostbite Falls agrees that as recipient of the grant, the city of Frostbite Falls will be the responsible legal entity for the entire project and conduct an environmental review for the project.

The Communities agree that the City of Frostbite Falls will be the fiscal agent for the project by requesting, receiving and processing grant funds from DEED.

The City of Frostbite Falls acknowledges that a Single Audit (A-133) may need to be conducted on all DEED funds, and that the audit will be of the city of Frostbite Falls.

The City of Frostbite Falls acknowledges that it will be responsible for reporting post-closeout program income to DEED annually. These required reports may be necessary for a number of years following grant closeout.

The Communities agree to an initial goal of approximately 65% of the projects in Frostbite Falls and approximately 35% of the houses and in Dudley. The Communities understand that these goals may need to be adjusted as interest and average costs per house may run higher or lower in each community.

The Communities agree to an initial goal of approximately 60% of the commercial projects in Frostbite Falls and approximately 40% of the projects in Dudley. The Communities understand that these goals may need to be adjusted as interest and average costs per building may run higher or lower in each community.

If Communities receive a lower amount of funding than requested from DEED, the Communities agree to reduce the initial goals in each community proportionally or as instructed by DEED.

The Communities have agreed to allow the implementing project administrator the latitude to adjust the rehabilitation goals within each community as appropriate.

The communities have agreed that if any deferred loans will be repaid to the City of Frostbite Falls, the grant's fiscal agent. Reuse of Program Income will be designated to the community it was repaid from.

The communities have agreed that if a city does not utilize any program income within (insert reasonable # of years here) that the other city will be able to have access to those funds.

Mayor, City of Frostbite Falls

Mayor, City of Dudley

Appendix F

Sample Prohibition of Excessive Force Resolution

Resolution Number ____

BE IT RESOLVED that the city council of _____ does hereby adopt a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations.

Adopted this __ of ____, ____.

City of _____
____ ____, its Mayor

ATTEST:

By: _____
Name/Title