

# **Small Cities Development Program A-Z Reference Guide**

*April 2024*

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

## SCDP A-Z Reference Guide

This Reference 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 in this reference guide have a companion guide with more detailed information: environmental, labor standards, fair housing/equal opportunity, acquisition/relocation, and guides for owner-occupied, rental, and commercial rehabilitation. These guides are currently being updated or created and will contain forms, samples and materials that may be required by the Small Cities Development Program or may be useful to applicants and grantees. Please refer to the [SCDP Google Drive](#).

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

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

## Table of Contents

SCDP A-Z Reference Guide.....	2
Table of Contents.....	3
Activities Funded by the SCDP .....	5
<i>Acquisition/Demolition: usually in disaster situations.</i> .....	6
<i>Community Center/Facility:</i> .....	8
<i>Conversion: - rare cases</i> .....	9
<i>Demolition (Clearance): - rare cases</i> .....	10
<i>Owner-occupied Housing Rehabilitation:</i> .....	11
<i>Rental Housing Rehabilitation:</i> .....	13
<i>Commercial Rehabilitation:</i> .....	15
<i>Relocation:</i> .....	18
<i>Public Facilities, Including Assessment Abatement:</i> .....	19
<i>Streetscape</i> .....	21
<i>Public Aesthetic Amenities (must be publicly owned).</i> .....	22
Application Types .....	23
Applying to the SCDP .....	24
Asbestos .....	26
Audit Requirements.....	27
Build America, Buy America (BABA) Requirements.....	28
Background and Goal of the SCDP.....	31
Citizen Participation.....	32
Closeout.....	33
Conflict of Interest .....	34
Debarment Checks .....	36
Disbursement Requests/Payment Holds.....	37
Eligible/Ineligible Applicants .....	39
Environmental Review .....	40
Fair Housing, Equal Opportunity and Civil/Human Rights.....	41
National Objectives for Applicants.....	43
National Objectives for Grantees .....	47
Financial Management .....	49
Grant Contract Agreement .....	50
Income/Household Size Definitions for SCDP.....	52
Labor Standards.....	54
Lead Policy.....	55
Monitoring.....	58
Technical Assistance.....	60
Pre-award Costs.....	61
Procurement of Goods and Services .....	62
Program Income and Local Income Generated.....	63
Public Hearing.....	65
Records Retention .....	66
Relocation, Anti-displacement and 1 for 1 Replacement.....	67
Reporting Requirements.....	69
Subordination and Refinancing.....	70
Start-up.....	71

Termination of SCDP Grants ..... 72  
Unique Entity Identifier (UEI) ..... 73  
Appendix A ..... 74  
Appendix B ..... 75  
Appendix C ..... 77  
Appendix D ..... 78  
Appendix E ..... 79  
Appendix F ..... 81  
Appendix G ..... 82  
Appendix H ..... 88  
Appendix I ..... 91  
Sample Notice To Prospective Tenant ..... 93  
Sample Notice of Non-displacement to Residential Tenant ..... 94  
Sample Notice of Non-displacement to Residential Tenant for Temporary Relocation ..... 96  
Sample General Information Notice for ..... 97  
Commercial Tenants who will not be Displaced ..... 97  
Sample Notice of Non-Displacement to Commercial Tenant ..... 98

## **Activities Funded by the SCDP**

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

- Acquisition/Demolition
- Acquisition/Rehabilitation
- Community Center/Facility
- Conversion (generally associated with other eligible activities)
- Demolition
- Rehabilitation
  - Residential Owner-occupied
  - Residential Rental
  - Commercial
- 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
- Streetscape and Public Aesthetics

The activities discussed in this section are meant to assist with:

- Your planned activity(s) and
- Framing the narrative section of your application, including addressing a national objective for each activity. Information on meeting one of the national objectives for each activity (aside from administration) can be found in the National Objectives for Applicants section of this reference guide.

**Acquisition/Demolition:** usually in disaster situations.

National Objectives (refer to “National Objectives for Applicants” section):

- Slum and Blight Spot (mostly demolition activity)
- Low and Moderate Income, Direct or Area Benefit - If the acquisition is in support of another activity, the national 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, SCDP funds does not allow acquisition/demolition for other than disaster situations, unless there is a planned re-use and the re-use meets a national objective for the SCDP program.*

## **Acquisition/Rehabilitation: (Single-Family and Rental Homes) – usually in disaster situations)**

National Objective (refer to “National Objectives for Applicants” section):

- Urgent Threat for Single Family Homes
- Low and Moderate Income, Direct Benefit for Rental Homes

### **Single Family Homes:**

This is a combination of two eligible activities that allows acquisition of substandard but suitable, single-family homes and rehabilitation of those homes. The homes 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.

### **Rental Homes:**

This is a combination of two eligible activities that allows acquisition of substandard but suitable for rehab rental homes, acquisition of smaller rental rehabilitation buildings/units. Typically, 12 units or under. 51% of the rental units must be occupied by LMI persons at fair market rents.

Federal Prevailing Wage and Davis Bacon requirements are triggered when over 8 units are rehabilitated.

The activity must generate funds back to the city. The amount of funds given will be decided on a case-by-case basis.

Please contact your SCDP representative if you are considering these types of activities.

## **Community Center/Facility:**

National Objectives (refer to “National Objectives for Applicants” section):

- Low and Moderate Income, Area 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.

Reasonable fees may be charged for the use of the facilities assisted with CDBG funds, but charges, such as excessive membership fees, which will have the effect of precluding LMI persons from using the facilities, are not permitted.

### Facilities containing both Eligible and Ineligible Uses:

A public facility may be eligible for assistance even if it is part of a multiple-use building containing ineligible uses, if:

- The facility which is otherwise eligible and proposed for assistance will occupy a designated and discrete area within the larger facility; and
- Grantee can determine the costs attributable to the facility proposed for assistance as separate and distinct from the overall costs of the multiple use building and/or facility. Allowable costs are limited to those attributable to the eligible portion of the building or facility.

### 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 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 residents of the park.

### Examples of ineligible improvements

While eligible for funding under CDBG, the State chooses not to fund the renovation of the following projects:

- Fire Stations and related community spaces
- Police Substations
- Libraries



## **Conversion: - rare cases**

National Objectives (refer to “National Objectives for Applicants” section):

- 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. This activity will require combination of secured funds from other funding sources prior to applying for SCDP funds. SCDP funds will serve as leverage funds. Applicants should refer to the applicable “Rehabilitation” section of this reference guide for more information.

## **Demolition (Clearance): - rare cases**

National Objectives (refer to “National Objectives for Applicants” section):

- 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 to be 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.

***If there is a re-use of property on which the SCDP funds were used, the re-use must meet a national objective. This requirement applies for a 5-year period following the completion of the demolition.***

## **Owner-occupied Housing Rehabilitation:**

National Objectives (refer to “National Objectives for Applicants” section):

- 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.

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. Listed below are some highlights. Please refer to the Owner-Occupied Housing Rehab Guide.

### **Key information on owner-occupied housing rehabilitation:**

- The maximum amount of SCDP assistance is \$25,000 per unit.
- The term for SCDP funds must be structured, at a minimum, as a seven (7) year deferred loan.
- It is encouraged the loan be a 100% deferred loan.
- Regardless of activity, for each house, the grantee must install smoke detectors in accordance with local code or, at a minimum, install one on each floor.
- Utility service line replacement or installation may be covered under this activity.
- SCDP loans for rehab on Life Estate homes must be 100% forgivable consistent with the full term as stated in the application to DEED with no descending forgiveness where portion(s) of the loan are forgiven over time.
- Grantees must create policies and procedural guides for the rehabilitation activities that are being administered.
- Community/communities with a total combined population of 5,000 or under may submit a citywide application.
- Community/communities with a total combined population of over 5,000 must select a target area for their application. A “Plan B” target area is encouraged as a contingency plan to expand the target area if goals are not met during the grant period. A timeline to potentially expand to “Plan B” target area must be stated in the application. SCDP representative must be notified prior to moving to Plan B target area.
- Minimum rehabilitation standards to be met upon completion are HUD’s Housing Quality Standards (HQS).
- Housing Inspectors or those preparing project scope of work newly employed on or after January 2016 or with no building construction experience must submit their Housing Quality Standards Certificate with their updated Grantee Summary Information Sheet (GSIS) to DEED. For those who have not taken this class or obtained certification, a grace period of 6 months is provided to obtain the necessary certificate.
- The Preliminary Proposal requires you to provide an estimated 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;
- Grantees may write-off an SCDP loan, only if 7 years (which is the minimum term of an owner-occupied housing loan) or more have passed from the date the loan was issued and any one of the following conditions are met:
  - Property is being foreclosed.
  - The client has deceased.
  - Property had experienced a natural disaster or fire
  - Serious unexpected medical conditions

**Listed below are ineligible SCDP activities:**

- SCDP funds may not be used for “remodeling” type improvements. For example, if a roof is originally a flat roof, SCDP funds cannot be used to convert the roof into a pitched roof without consulting with SCDP representatives.
- SCDP funds cannot be used to rehabilitate homes held in trust. Generally, a trust is a legal relationship that is set up whereby one person holds the legal title to the property; the trustee, and another has the benefit of the use. The property is transferred to the trustee and no longer owned by the person living in the premises.
- SCDP funds cannot be used to rehabilitate any single-wide mobile home, even if the home is attached to a foundation.
- SCDP funds cannot be used to rehabilitate any residential structure that is within a 100-year flood plain. Only exception would be if the request is part of a disaster recovery orientated application.
- SCDP funds cannot be used to rehabilitate properties that have an existing reverse mortgage loan. If a property has an existing SCDP deferred loan, the loan will have to be repaid before a reverse mortgage can be closed on.
- SCDP rehabilitation loans; either deferred or repayable cannot be treated as an assumable loan if the dwelling is sold or transferred within the term of the loan.

## **Rental Housing Rehabilitation:**

National Objectives (refer to “Federal Objectives for Applicants” section):

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

This activity is the rehabilitation of rental 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 Housing Quality Standards (HQS).

### **Key information on rental:**

- The maximum amount of SCDP assistance is \$25,000 for a single-family rental home and the per unit amount for a three unit or larger building is decided on a case-by-case basis as described in the application to DEED.
- Duplexes can only be rehabilitated with SCDP funds under a rental rehabilitation activity.
- One unit of the duplex must be occupied by a low-and moderate-income household. However, if one of the units is occupied by the owner, both units must be occupied by low-and moderate-income households.
- SCDP loans cannot be used on Contract for Deed rental properties.
- 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 Preliminary Proposal 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 goals.
- In order to show interest, owners should sign an interest statement acknowledging the following:
  - That adequate number of unit(s) are occupied by LMI households at affordable rents (refer to the “National Objective for Applicants” section);
  - 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);
  - That Davis Bacon Prevailing Wages may apply;
  - The length and terms of the deferred SCDP loan and if applicable, SCDP installment loans;
  - The maximum amount of the SCDP assistance.

**Listed below are ineligible SCDP activities:**

- SCDP funds may not be used for “remodeling” type improvements. For example, if a roof is originally a flat roof, SCDP funds cannot be used to convert the roof into a pitched roof without consulting with SCDP representatives.
- SCDP funds cannot be used for homes held in trust. Generally, a trust is a legal relationship that is set up whereby one person holds the legal title to the property; the trustee, and another has the benefit of the use. The property is transferred to the trustee and no longer owned by the person living in the premises.
- SCDP funds cannot be used to rehabilitate any single-wide mobile home, even if the home is attached to a foundation.
- SCDP funds cannot be used to rehabilitate any residential structure that is within a 100-year flood plain. Only exception would be if the request is part of a disaster recovery orientated application.
- SCDP rehabilitation loans cannot be treated as an assumable loan if the dwelling is sold or transferred within the term of the loan.

## **Commercial Rehabilitation:**

National Objectives (refer to “National Objectives for Applicants” section):

- Slum and Blight
- Urgent Community Development Need

The focus of activities under the Prevention/Elimination of Slums and Blight National Objective is the rehabilitation of commercial buildings in a targeted slum/blight area. The targeted area must be officially designated by the City and must meet the definition for designation.

SCDP funds may only be used for exterior repairs/improvements, code violation corrections, handicapped accessibility, health & safe, and energy improvements connected to a code violation. Commercial rehab activities should be specifically related to the commercial building and not business assistance.

### **Key information on commercial rehab:**

- The maximum amount of SCDP assistance per building is \$40,000.
- Effective for 2016 grants and forward, the minimum amount of SCDP assistance per building is \$5,000.
- The maximum percentage of SCDP assistance per building is 80% of the total project cost.
- If applicable, the financial breakdown/tiering of SCDP funds should be explained with examples.
- The term for SCDP funds must be structured, at a minimum, as a five (5) year deferred loan.
- A commercial building held in trust may participate in the SCDP commercial rehab program provided all persons listed as trustees sign all the necessary repayment and installment agreements initiated by the respective grantees.
- The title holder of a commercial building under contract for deed may participate in the SCDP commercial rehab program provided all parties on the title sign all the necessary repayment and installment agreements initiated by the respective cities.
- Any construction that is not part of SCDP funded project must not be conducted in-conjunction with the SCDP project.
- SCDP funds can only be used to rehabilitate a legally recorded commercial building located on a parcel. If there are two buildings on a parcel, to qualify for SCDP funds, each building should have its own legal description.
- SCDP funds can only be used on shared rehab activity cost such as roof, awning, handicap accessibility ramps and etc. when both building owners involved are participating in the program.
- Commercial rehabilitation activities should be centered around buildings occupied by retail and independently owned small businesses. If a project does not meet the description above, the MIF program through the Office of Business Finance with a national objective of creating jobs might be an option.
- Listed below are survey tips to identify slum and blight areas in preparation of the

preliminary proposal and full application for commercial activities:

- Areas of the city’s downtown where majority of retail businesses operate.
- Area that had received Main Street designation.
- Areas that are predominately zoned commercial or mixed use which may include contiguous buildings that operate businesses.
- Do not include buildings that are zoned industrial.
- Do not include buildings that provide medical services such as Hospitals or Urgent Care or Manufacturing businesses.
- The Preliminary Proposal 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 goals. 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 Prevailing Wages 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.

#### Example of eligible improvements

- Façade improvements – tuckpointing, brick replacement
- Signage affixed to the building
- Awnings
- Windows and structural improvements
- Painting – on the exterior façade in combination with facade restoration such as brick replacement, stucco, and exterior surfaces for historic preservation that will prevent from future deterioration of the exterior façade.
- Interior improvements (e.g., electrical, plumbing, HVAC, etc.) addressing code violations. Grantee must maintain documentation.

#### Examples of ineligible improvements

- SCDP funds may not be used for “remodeling” type improvements. For example, if a roof is originally a flat roof, SCDP funds cannot be used to convert the roof into a pitched roof without consulting with SCDP representatives.
- Buildings used for the general conduct of government (with exception of ADA) such as city halls, county administration buildings, and police stations; libraries, furnishings; or repair of public works facilities.
- Religious institutions.
- Painting for the purpose to change colors (interior or exterior) is considered maintenance.
- Parking lots, business equipment or signage not affixed to the building.
- If improvements not eligible for SCDP funds are needed or desired, private match dollars can be used for improvements to the building. For example - Equipment purchases can be used as owner match for projects. Please consult your SCDP representative.



- SCDP rehabilitation loans cannot be treated as an assumable loan if the dwelling is sold or transferred within the term of the loan.
- SCDP rehabilitation grant is not subject to depreciation.

## **Relocation:**

National Objectives (refer to “National Objectives for Applicants” section):

The national objective used for relocation must relate to the associated activity.

- Low and Moderate Income, Direct Benefit - Relocation for residential rehabilitation
- Slum and Blight, Spot or Area Basis - Permanent or temporarily relocation of commercial tenants (for rehab) or owners (for acquisition/demolition).
- Urgent Community Development Need - 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, 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, if 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. Refer to [CPD Handbook 1378.0 | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)

## Public Facilities, Including Assessment Abatement:

National Objectives (refer to “National Objectives for Applicants” section):

- Benefit Low and Moderate Income Area Benefit (LMA)
- Urgent Community Development Need

This activity involves construction and project 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.

All applicants for Public Facility construction or assessment abatement must submit an SCDP Preliminary Proposal and Full Application.

### Key information on public facilities rehab:

- SCDP funds should not be viewed as the main funding mechanism for public facility projects but rather as gap financing. Funding should be sought from other auxiliary sources such as Public Facilities Authority (PFA), United States Department of Agriculture Rural Development (USDA RD) and etc.
- SCDP administrative fees on this activity are limited to \$20,000.
- 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 (30%) 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: <https://data.census.gov/profile>.

### 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)

## Streetscape

National Objectives (refer to “National Objectives for Applicants” section):

- Benefit Low- and Moderate-Income Area Benefit
- Slum and Blight for commercial area only

This activity involves providing streetscape improvements within a housing area or commercial area. This activity must be part of a large community planning effort with other improvements planned and is most likely in downtown or other gathering areas. Project include, but not limited to parking design, improved sidewalk, street lighting, streetlights, trees and landscaping and street furniture.

### **Key information on streetscape:**

- Streetscape project proposed in a target housing area must benefit at least 51% of LMI residents. Supporting document can be either the U.S. Census, or a survey.
- Streetscape cost estimates must consider Davis Bacon wage rates and implementation cost.
- Plans must conform with any necessary ADA standards.
- Streetscape can be an SCDP component if it is part of larger project that is being funded by other agencies. An exception would be if the area had recently been part of a completed commercial or public facility project. Provide documentation.
- A financing plan needs to be secured for maintenance costs.
- A complete survey is needed for proposed streetscape located within commercial area with identified vacant buildings and plan for filling vacant buildings.

Maintenance and repair are generally ineligible (e.g., filling potholes, repairing cracks in sidewalks, major landscaping, retaining blocks or replacing street light bulbs).

## **Public Aesthetic Amenities (must be publicly owned)**

National Objectives (refer to “National Objectives for Applicants” section):

- Benefit Low and Moderate Income Area Benefit
- Slum and Blight for commercial area only

This activity involves providing architectural design features and other treatments aimed at improving aesthetic quality (i.e.: sculptures and fountains). This activity must be part of a large community planning effort with other improvements planned and is most likely in downtown or other gathering areas.

### **Key information on public aesthetic amenities:**

- This activity must benefit at least 51% of LMI residents. Supporting documentation can be either the U.S. Census, or a survey.
- Aesthetic Amenities cost estimates must consider Davis Bacon wage rates and implementation cost.
- Aesthetic Amenity ideally should be part of a larger beautification effort.
- Plans must conform with any necessary ADA standards.

## **Application Types**

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

### **Single Purpose Application**

This application is used by a housing project which includes one or more activities designed to increase the quality of dwellings suited to the occupancy of the individuals and families, or public facilities projects which include one or more activities designed to acquire, construct, reconstruct, or install buildings or infrastructure which serve a neighborhood area or community. The aggregate funding amount cannot exceed \$600,000. Two or more activities cannot exceed \$600,000 in total.

### **Comprehensive Application**

This application is for projects that include a combination of at least two interrelated activities which are designed to address community development needs, which by their nature must be carried out in a coordinated manner and/or require a coordination of housing, public facilities, or community development/revitalization activities. A combination of a streetscape and commercial rehab project is not a comprehensive application. These projects must be designed to benefit a defined geographical area. The aggregate funding amount cannot exceed \$1.4 million and each activity within the application is limited to a maximum amount of \$600,000.

DEED reserves the right to fund an application at less than the amount requested.

Each activity must meet a National Objective for the program. Refer to “National Objectives for Applicants” section of this reference guide.

## Applying to the SCDP

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

- SCDP Application Guide
- SCDP Preliminary Proposal
- SCDP Full Application

Once posted, the SCDP Preliminary Proposal and Application Packet can be found at: <http://mn.gov/deed/government/financial-assistance/community-funding/>

### **Joint Community Applications**

Applications submitted jointly by communities must be approved by the governing bodies of all parties to the application, all parties must meet citizen participation requirements of the program (refer to “Citizen Participation” section), and a cooperative agreement must be attached as an appendix to the Full Application. All participating communities must also meet all DEED contractual requirements if awarded.

### **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. Refer to “Citizen Participation” section of this reference guide. A sample resolution can be found in Appendix C of this reference guide, and on the DEED website.

### **Local Government Application Resolution**

All units of local government intending to submit a Full Application must pass a resolution authorizing the submission of the application. The resolution must accompany the application or the application will not be reviewed. Resolutions passed for previously submitted CDBG applications are not valid and will not be accepted.

If funded, the unit of local government must have the ability to enter into an agreement with the State of Minnesota and submit the various certifications and assurances related to the application.

Resolutions must also be provided on PFA/RD joint funded projects and Minnesota Housing joint funded projects. A sample resolution can be found in Appendix D of this reference guide and on the DEED website, at the link above. A county applicant is not required to obtain resolutions from each community.

### **Scoring SCDP Applications**

SCDP applications are scored based on need, impact, cost effectiveness, and demographics. Up to 240 of the points will be awarded based on evaluation of the proposed project to serve low- and moderate-income persons in relation to housing, alleviate slum and blight activities,



and/or address public facility activities. Up to 180 points will be awarded based on the need (90), impact (90), and cost effectiveness (30) of the activities, and up to 30 points will be awarded based on state demographic points which will serve as a tiebreaker.

More information on scoring is provided in the SCDP Application Packet located on DEED's website.

**Awarding SCDP Grants**

SCDP anticipates making award decisions in the late spring/early summer of every year, contingent upon HUD awards to DEED. DEED will post a notice of awards on the SCDP website and notify all applicants of award decisions in writing.

## **Asbestos**

The Minnesota Department of Health regulates work on, and removal of, asbestos-containing building materials.

Effective July 1, 2021, asbestos-related work (Minnesota Statutes 326.71, subdivision 4) no longer includes the exemption of asbestos-containing floor tiles and sheeting, roofing materials, siding, and all ceilings with asbestos-containing material (ACM) in single family residences and multifamily facilities with no more than four dwelling units.

All commercial rehabilitations must be inspected for asbestos hazards.

The links below provides access to the Minnesota Asbestos Abatement Statutes and Rules

<https://www.health.state.mn.us/communities/environment/asbestos/rules.html>

<https://www.health.state.mn.us/communities/environment/asbestos/index.html>

## Audit Requirements

State and local governments that expend \$750,000 or more in federal financial assistance (including non-SCDP funds) in the grantee's fiscal year must have an audit done in accordance with 2 CFR Part 200, Subpart F—Audit Requirements.

Grantees must submit single audits to SCDP staff within nine (9) months after the end of the audited fiscal year.

Counties must submit their single 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 single audit costs that relate to the percentage of SCDP funds audited. For example, if a single 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 the single audit costs.

In order to use SCDP funds to pay for a single audit cost, the grantee must procure audit services as outlined in the "Procurement" section of the Common Rule - 2 CFR Part 200 Subpart F. (refer to the link in "Financial Management" section).

SCDP funds cannot be used to pay for any portion of a non single audit.

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

For additional information, please visit the Office of Management and Budget's (OMB) website at:

<https://www.whitehouse.gov/omb/circulars/>.

# **Build America, Buy America (BABA)**

## **Requirements**

The Build America, Buy America (BABA) Act, [41 USC § 8301](#) was enacted as part of the Infrastructure Investment and Jobs Act on November 15, 2021. This act established a domestic procurement preference for all federal financial assistance obligated for infrastructure projects after May 14, 2022. HUD requested a waiver which was granted and ended on November 14, 2022, and does not affect SCDP grants awarded in 2022.

BABA requires that products purchased in connection with infrastructure projects funded by federal financial assistance programs must be produced in the United States. This requirement is known as the “Buy America Preference (BAP)”.

BAP requires that all iron, steel, manufactured products, and construction materials used in infrastructure projects must be produced in the United States.

The grantee, prime contractors, and subcontractors must comply with the BABA Act and all applicable rules and notices, as may be amended, for any infrastructure project receiving CDBG funding and/or any other federal funding assistance unless a waiver or exemption of BABA applies to the project.

Additional information is provided on the HUD BABA website at:  
[https://www.hud.gov/program\\_offices/general\\_counsel/baba](https://www.hud.gov/program_offices/general_counsel/baba).

An infrastructure project is defined as any project that includes the following activities:

- construction,
- alteration (including demolition, rehabilitation, renovation, redevelopment, etc.),
- maintenance, or
- repair.

The BAP/domestic procurement requirement is in effect and applicable for SCDP grants

- awarded in or after 2023 that contain iron and/or steel materials and with total federal financial assistance of greater than \$250,000.
- awarded in or after 2024 that has additional construction materials and with total federal financial assistance of greater than \$250,000.

BABA does not apply to projects that:

- SCDP grants that were awarded prior to 2023.
- Infrastructure projects with a total cost of \$250,000 or less
- qualify for waiver under the “emergency and safety assistance” clause of BABA,
- CDBG-CV projects,
- CDBG and/or other federal funding covered under BABA that in total is deemed to be de minimis, representing no more than 5% of the total cost of the project; and/or

- do not contain any iron or steel in the project scope.

### **HUD General Waivers**

HUD has issued several general applicability waivers that postpones BABA requirements.

General waivers include:

1. Small Grants and De Minimis
  - General waiver is effective through November 23, 2027, for projects with total cost (all sources) not exceeding the threshold value of \$250,000 or
  - A De Minimis portion of an infrastructure project - a cumulative total of no more than 5% of the total cost of the iron, steel, manufactured products, and construction materials, up to a maximum of \$1 million. BAP can be waived for that portion of the project.
2. Exigent Circumstances
  - General waiver is effective through November 23, 2027 when there is an urgent need by a recipient to immediately complete an infrastructure project to protect life, ensure safety, or prevent the destruction of property.
3. Phased Implementation
  - Phased implementation scheduled for the application of BAP to HUD programs through FY2025

### **Project-Specific Waivers**

In addition to the general waivers, project-specific waivers may be granted for projects where the BAP would otherwise apply. A grantee seeking a project-specific waiver must demonstrate the criteria for one or more of the categories listed below are met. A waiver must be approved by HUD.

There are three (3) categories of waivers, including the following:

1. Public Interest: BAP would be inconsistent with the public interest. Grantees should
  - Explain how waiving the BABA requirement for this project or product serves the public interest.
  - Demonstrate definite impacts on the community if specific items, products, or materials are not utilized in an infrastructure project.
2. Nonavailability: covered materials are not produced in the U.S. in sufficient and reasonably available quantities or of a satisfactory quality. Grantees should
  - Demonstrate that they have conducted market research and adequately considered alternate items that meet the definition of Made in America.
  - Describe the due diligence performed, including information, quotes, and/or responses from manufacturers, distributors, or suppliers.

3. Unreasonable cost: inclusion of domestically produced covered materials will increase the cost of the overall project by more than 25%. Grantees should
  - Demonstrate that BABA compliance increases total project cost by more than 25%.
  - Determine the additional cost of BABA compliant products.
  - Determine the dollar amount to be waived.
  - Demonstrate that no domestic alternatives are available within the project budget.

### **How do I apply for a Specific Waiver?**

HUD reviews waivers before they are posted to the Federal Register for public comment and sent to the Made In America Office (MIAO) for approval. In general, the BABA Waiver Process follows these steps for approval:

1. Prepare a waiver application with the information required by the MIAO located [[here](#)].
2. Submits a waiver application with all necessary information to HUD at [BuildAmericaBuyAmerica@hud.gov](mailto:BuildAmericaBuyAmerica@hud.gov).
3. Provide additional information as requested by HUD during the review process to proceed with public comment in the Federal Register, and final approval by MIAO.
4. If approved, the waiver is posted on [MadeInAmerica.gov](http://MadeInAmerica.gov)

Grantees and construction contractors subject to the BABA Act must maintain records that verify compliance with the BAP requirement for iron and steel materials and have documentation readily available upon HUD or other regulating entities request.

Note that more specific instructions will be detailed in HUD's implementation notices. Implementation notices are forthcoming.

## **Background and Goal of the SCDP**

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 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

All involved application parties to the SCDP program are required to provide for citizen notification and involvement in the planning and implementation of the proposed project through two public hearings, one held prior to submission of the SCDP Full Application and a second hearing if awarded midway through project implementation. The requirements of the public hearing may be met at an overall planning meeting or at a separate meeting.

Applicants must adopt and maintain a written *Citizen Participation* which outlines and describes their efforts in soliciting citizen input and responding to concerns and questions. Applicants may use the Citizen Participation Plan shown in Appendix C of this reference guide, and on DEED's website at:

[http://mn.gov/deed/assets/citizen-participation-plan-example\\_tcm1045-132495.pdf](http://mn.gov/deed/assets/citizen-participation-plan-example_tcm1045-132495.pdf)

A citizen participation plan that covers **each** party to an application must be submitted with the SCDP Full Application. In county applications, the county would be the only entity who must conduct the citizen participation.



## Closeout

Grantees are responsible for the orderly and timely submission of the final Annual Report within:

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

Final draws with corresponding invoices must be submitted within 30 days of the completion of the project.

However, because SCDP must report to HUD every year for the period ending 9/30, grantees must submit an Annual Report by 10/15.

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

As is the case with all documentation required, the grant closeout documents are very important, and accuracy must be ensured in the completion of documents.

- The project has been monitored and any outstanding monitoring findings or concerns have been resolved.
- A FINAL Request for Funds has been submitted.
- A FINAL Annual Report has been submitted and approved and all accomplishments have been reported; and
- Any outstanding single audit findings or concerns have been resolved.

## Conflict of Interest

Grantees will evaluate conflicts and potential conflicts involving its employee, agent, consultant, officer, or elected official or appointed official of the grant, or a sub-recipient(s) that are receiving funds on behalf of the grantee.

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

[Minnesota Statutes §10A.07](#)

[Federal Regulations 24 CFR 570.489](#)

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.

Grantees must take significant steps to avoid conflicts of interest. In certain instances, where the applicant community solicited a firm to prepare the application, and where that firm may also provide professional services related to the CDBG project and intends to submit a proposal for those services, that firm may not in any way assist the subrecipient in the procurement process. Such a conflict of interest would result in a Finding disallowing the use of CDBG funds or local matching funds for the payment of such costs of the subsequently procured contract and may affect future eligibility to receive funds.

Elected officials who are professional contractors, or have any ownership in a construction company, are not allowed to bid on projects within their community. An exception for specialty work can be made if no other contractor is available to complete the work. Please consult your SCDP Representative.

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 or approving individual applications), or 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).
4. For elected officials that are specialty contractor seeking conflict of interest exceptions, evidence of competitive bidding and justification on the bids received must be submitted to DEED for review as part of the request for the exception.

Any correspondence and supporting 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 use can be found at Appendix A. If a conflict of interest appears after completing the Interview Form, a Conflict of Interest Worksheet will need to be completed by the grantee and reviewed by DEED. Please contact your SCDP representative for a copy of the “Conflict of Interest Worksheet” if needed.

## Debarment Checks

No SCDP related contracts (construction, audits, administration, etc.) may be awarded to those 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.sam.gov>. Evidence of this determination must be readily available to DEED through the life of the project.

In addition to performing debarment checks on contractors via [www.sam.gov](http://www.sam.gov) website, please review HUD's Limited Denial of Participation; HUD Funding Disqualifications and Voluntary Abstentions List via [https://www5.hud.gov/ecpcis/main/ECPCIS\\_List.jsp](https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp). Evidence of both checks must be placed in each project file.

## **Disbursement Requests/Payment Holds**

To obtain a disbursement request form, grantees must submit or complete the following:

- Submit signed grant contract agreement to DEED
- Complete the Environmental review
- Submit the required policies to DEED
- Address pertinent requirements in the grant agreements.

SCDP staff will e-mail a Disbursement Request Form (Excel file) and a payment calendar indicating due dates for signed and dated Disbursement Request Forms to grantees or grantee's administrator.

### **Submission Guidelines**

- Only one payment request per grant, per disbursement period, will be processed.
- Email disbursement requests to [SCDP.payments@state.mn.us](mailto:SCDP.payments@state.mn.us) and cc the respective SCDP representative.
- 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 with the following exception; final payment request or if payment request coincides with state and federal fiscal period (6/30 and 9/30).
- If program income had been obligated for the grant, Grantees must apply Program Income obligations first, before requesting additional funds (refer to "Program/Local Generated Income" section). SCDP representatives will not issue disbursement request forms until all reported program income have been expended by Grantees.
- All costs supporting project administration or project delivery costs must be documented. Timesheets must be maintained for all persons paid with CDBG funds. The timesheets must reflect actual hours worked on the project.
- Funds requested to cover eligible government costs (including HRA, Non-Profits or RDC costs), must be on a cost-reimbursement basis only, with supporting timesheets on file.
- 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.
- DEED reserves the right to not process payments if supporting documentation does not match funds being requested.

### **Payment Guidelines**

- Email disbursement request forms to [SCDP.payments@state.mn.us](mailto:SCDP.payments@state.mn.us) and cc respective SCDP representative.
- Requests received by the end of the business day every other Wednesday will be reviewed and, if approved, payment will occur via Automated Clearing House (ACH) within 2 weeks.
- Ensure "reimbursement payment #" numbering is correct.

- Use correct date for reimbursement start date and end date.
- Funds received should be paid out by the grantee in three days, or as close to that as possible.
- Signature authorization must be obtained from grantee if administrating agency is signing reimbursement form.
- Payment request containing mistakes will not be corrected by SCDP staff or processed. Incorrect pay request submissions may need to be processed the next round of payments if issues cannot be mediated timely by the grantee or grant administrator.

### **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.

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

## Eligible/Ineligible Applicants

Eligible applicants for 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.

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 Bloomington, Coon Rapids, Duluth, Eden Prairie, Mankato, Minneapolis, Minnetonka, Fargo/Moorhead, Plymouth, Rochester, St. Cloud, St. Paul, and Woodbury.

In addition:

- Eligible applicants may apply on behalf of other, eligible applicants. Refer to “Joint Community Applications” in the Applying to the SCDP section of this reference 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 unique 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 and/or administrators 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(s) and be timely in their annual and post-closeout reporting.

## Environmental Review

All grantees must conduct an environmental review on their awarded grant 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. However, certain steps must be taken independent of the previous 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. This approval can only occur once the public objection period has passed and once HUD has released funds to DEED. 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 SCDP Google Drive's latest Environmental Review presentation. Contact your SCDP Representative for more information.

A tiered environmental review will need to be completed for typical housing and commercial project, where specific project sites are not determined at the time of the initial environmental review.



## **Fair Housing, Equal Opportunity and Civil/Human Rights**

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

The laws and regulations must be enforced. Specific information on the actions that must be taken by grantees, along with definitions, tracking forms and a Section 3 surveys for contractors must be implemented and collected.

### **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 total number and total dollar amount of construction contracts, including general contractors and subcontractors.
- The total number and total dollar amount of non-construction contracts, including profit and non-profit SCDP administrators.
- The contracts awarded to small business minority-owned business enterprises (MBEs) and woman-owned business enterprises (WBEs), including contract amount and race/ethnicity of those business owners.
- When procuring construction or services when it is anticipated that the contracts will exceed \$200,000 in HUD program funding or more than \$100,000 in Lead Hazard Control and Healthy Homes program funding, grantees must ensure that employment and other economic opportunities be made available to low and very low-income persons and maintain documentation of hours worked by documented Section 3 workers or Targeted Section 3 workers.

## **Equal Opportunity Contract Requirements:**

**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. Refer to Appendix E.
- Applicable Uniform Administrative Requirements. Refer to Appendix F.
- [Executive Order 11246 as amended](#), for contracts in excess of \$10,000. Refer to Appendix G.
- Section 3 for all contracts in excess of \$200,000. Refer to Appendix H.

**For rehabilitation projects, Grantees should make sure that the contracts between the owner and the contractor contain the following provisions:**

- **Equal Employment Opportunity:** “The contractor shall provide equal employment opportunity to all persons without discrimination as to race, color, religion, sex (including sexual orientation, gender identity and expression, and pregnancy), national origin, age (40 and over), disability, marital status, parental status, veteran status, genetic information and reprisal”
- **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, religion, sex (including sexual orientation, gender identity and expression, and pregnancy), national origin, age (40 and over), disability, marital status, parental status, veteran status, genetic information and reprisal”
- **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.”

# National Objectives for Applicants

## Overview

Title I of the Housing and Community Development Act of 1974 requires that, aside from administration, each activity funded in whole or in part with CDBG funds must meet one of three National Objectives. As part of the Full Application, applicants must be able to demonstrate how each activity will meet one of the National Objectives:

- The activity must principally benefit low- and moderate-income persons, on either an individual household basis; 80% county median income or an area basis; housing target area must benefit at least 51% of LMI residents 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):** *Commonly used for owner occupied housing rehabilitation which may include utility hookups on private property.*

These activities must primarily serve households whose total income from all members does not exceed 80% of the County Median Income, adjusted for household size. These income figures are determined by HUD annually. The most current income limits can be found at:

<https://www.huduser.gov/portal/datasets/il.html>

## DEFINITIONS

### **Principal Residence**

A property used as the primary residence of the owner-occupant and household. Generally, the residence would be one classified as homestead property by the borrower who is also the applicant residing at the property for more than 6 months out of the year. A residence that is primarily intended to be used in a trade or business, as an investment property, or as a seasonal/recreational home would not be considered a principal residence.

### **“Affordable Rents” for SCDP**

For rehabilitation of existing units (not including “conversion” projects)

The SCDP applicant may use either:

- 1) The Fair Market Rent (FMR) or
- 2) Section 8 voucher “payment standard” for the number of bedrooms in each unit, (adopted by grantee and made public).

HUD Fair Market Rents (FMR) can be found at:

<http://www.huduser.org/DATASETS/fmr.html>

**LOW AND MODERATE INCOME (LMI), DIRECT BENEFIT:** *Commonly used for rental housing rehabilitation and/or abatement of public facility assessments.*

- Applicants must state that they understand that all rental households assisted with SCDP funds are LMI (refer to “Income/Household Definitions for the SCDP” section). 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.”
- 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.

**For Duplexes, the following applies:**

- *At least one of the two units must be occupied by an LMI household, and the rent on one unit must be affordable.*
- *If one of the units is occupied by the owner, both units must meet the LMI requirements with one of the two units meeting “affordable” rents.*

**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.*

At the Preliminary Proposal stage, applicants must demonstrate at least 51 percent of the benefiting area’s residents meet HUD Section 8 income guidelines, using **HUD most recent Census Data**. If the census area matches the benefiting area exactly, such as for a citywide benefit (the table, [HUD LMI Census Data for MN Non-entitlement](#))

or

**SURVEY-** 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 Preliminary Proposal. 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: [Income Limits | HUD USER](#), click on the most recent income limits, then select the state and appropriate county for the Income Limits Summary.

**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: [CDBG-Memorandum-Developmentally/Disabled Census-Definition](#)

For example, the construction of a Senior Center for elderly persons (age 62 and over) is a Limited Clientele activity.

**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.*

Applicants must submit:

- A map and a narrative describing the boundaries of the target area; and
- One of the following:
  - a letter from the applicant, signed by either the chief executive officer (mayor/board chair) or the applicant's legal counsel, or
  - 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
- handicap accessibility
- energy improvements (consult SCDP Representative)
- Building code violation corrections.

**The letter or resolution must indicate the total number of buildings (including commercial, residential, vacant buildings, 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 statues 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: [https://www.revisor.mn.gov/statutes?id=469.002&year=2015&keyword\\_type=all&keyword=469.002](https://www.revisor.mn.gov/statutes?id=469.002&year=2015&keyword_type=all&keyword=469.002)

or

The TIF definition at Minnesota statute (469.174):

[https://www.revisor.mn.gov/statutes?id=469.174&year=2015&keyword\\_type=all&keyword=469.174](https://www.revisor.mn.gov/statutes?id=469.174&year=2015&keyword_type=all&keyword=469.174)

**Slum and Blight Spot:** *Commonly used for commercial rehabilitation on an individual building basis which has an existing operational business.*

Rehabilitation done under spot slum and blight is not located in a designated slum or blighted area and limited to correction of hazardous conditions detrimental to public health and safety.

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:** *For projects that pose a serious and immediate threat to the health and welfare of a community, are of recent origin, and other funding sources are not available.*

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 (evidence of disaster declaration), or became critical or developed within the preceding 18 months;
- that the existing condition or conditions pose 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.

## **National Objectives for Grantees**

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

- city resolution certifying that target area meets the HRA 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

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

- 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

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. SCDP funds for administration disbursements cannot exceed 15% of project cost.

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 reference guide.

## Grant Contract Agreement

The grant contract 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 contract agreement are the state and federal rules, laws, orders, and regulations that are applicable to the Small Cities Development Program. In joint community awards, all participating communities must comply with the grant contract agreement requirements.

### **Changes to the Grant, including Extensions & Budget Revisions**

Any changes to the approved program or shifting of budget constitutes a grant contract agreement change.

Grant Contract Amendments include the following:

- a change in the total amount of the grant.
  - *Most times a reduction due to unused funds*
  - *Increase of funding for an activity (very rare)*
- an extension of the end date.
  - *This is a longer process, please allow sufficient time, at least 30 days to process.*

Grantees must request any potential changes by completing a Grant Adjustment Notice (GAN) 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, by 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 due to unforeseen circumstances, grantees must inform their SCDP Representative of their intentions to move to their Plan B target area early on before the scheduled end date of the grant, so that grant funds can be fully utilized. A map and description of the changed target area must be included with the request. Grantees should not assume that requests for changes in target area is automatically approved.

To request a change, grantees should follow these steps:

1. Using the Grant Adjustment Notice 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.

The form must be signed by the Grantee's Authorized Official.

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 expending 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;

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 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**

In calculating household income for Low- and Moderate-Income Direct Benefit activities (refer to “National Objectives for Applicants” section), 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. SCDP requires independent third-party, written verifications on gross household income, wherever possible. You can find forms/templates for this in the SCDP Owner Occupied Housing Rehab Sample Forms & Letters or contact your SCDP Representative.
- No deductions are taken from the anticipated gross income for the purpose of determining eligibility.

### **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 in DEED’s Owner-Occupied Housing Rehab Guide or available from your SCDP Representative.

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

**Household Size:** Beneficiaries of housing rehabilitation and other direct benefit LMI activities (refer to “National Objectives for Applicants” section) must qualify by income,

adjusted for household size.

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.

## Labor Standards

Federal Labor Standards rules apply to projects using SCDP funds that involve physical construction such as public facilities, commercial rehabilitation, and residential rental rehabilitation of eight or more units under one site or within 1 building. Rehabilitation of single family, detached housing units are exempt.

Contractors and subcontractors must comply with applicable Federal Labor Standard rules when bidding on projects funded by SCDP funds that must meet labor standards requirements.

When contracts are awarded, administrators are required to ensure contractors and subcontractors are compliant with these Laws.

Some important links

The Labor Standards 12 Step Instructions - <http://mn.gov/deed/government/financial-assistance/community-funding/small-cities.jsp> under the Forms tab.

HUD 4010 - <https://www.hud.gov/sites/dfiles/OCHCO/documents/4010.pdf>

HUD Handbook 1344.1, REV-3 for Davis Bacon compliance - [HUD Handbook 1344.1 REV-3](#)

For additional labor standard forms, please contact your SCDP Representative.

## Lead Policy

### Lead Safe Housing Rule (24 CFR 35 Subpart J and 24 CFR 35.1330)

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

1. All residential units, regardless of building makeup/use, must adhere to the Lead Safe Housing Rule codified at 24 CFR 35.
2. All participants in SCDP assisted housing programs, regardless of the age of the building, must receive the latest version of HUD/U.S. Environmental Protection Agency (EPA) publication entitled "Renovate Right"
  - a. All rehabilitation files must contain evidence that all owners and/or tenants received the notification.
  - b. A copy of the publication, in English and Spanish, can be found at <https://www.epa.gov/lead/renovate-right-important-lead-hazard-information-families-child-care-providers-and-schools>
3. All contracts entered for the purpose of rehabilitating housing units with SCDP funding must contain language which explicitly prohibits the use of lead-based paint in the rehabilitation process, requires appropriately trained and/or licensed lead supervisors and workers, and references lead safe work practices.
4. If the agency that will conduct the lead risk assessment and/or the clearance evaluation is a for-profit, the services must be procured. Procurement should adhere to the grantee's procurement policy and federal procurement requirements at 2 CFR 200.320. The more stringent procurement method should be utilized.
  - a. More than likely the federal procurement methods at 2 CFR 200.320(a) may be utilized to meet the federal requirement.
  - b. Procurement of lead risk assessment and clearance evaluation services should be for the full grant period.
5. For all residential units built on or before 1978, a lead risk assessment is required and must be conducted by a certified lead risk assessor. If a lead-based paint hazard is identified, the results of the risk assessment must be incorporated into the rehabilitation work write-up for the property.
  - a. A lead risk assessment meeting all requirements that was completed within 12 months of the work write-up may be used.
6. Unless otherwise stated in the grant's application, SCDP funding may cover the cost of the lead risk assessment for residential units that will move forward in receiving rehabilitation assistance. In addition, clearance evaluation costs may also be covered by SCDP funding though only one evaluation will be eligible. If the clearance evaluation fails, subsequent evaluations must be covered by other funding.
  - a. The cost for the lead risk assessment and clearance evaluation must either be part of the

home's project cost or covered by the grant administration funds. Costs covered by the home's project cost must be included in the Repayment Agreement and count towards the total SCDP assistance provided to the home.

Defective paint which contains lead 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/or licensed lead supervisors and workers.

a. Use the Rehabilitation Calculation Sheet to determine the level of lead work.

7. For residential rental properties, grantees must address temporary relocation issues and needs of renters as appropriate and in accordance with the Uniform Relocation Act.
8. Contractors performing interim controls (projects in which federal funds will cover \$5,000 to \$25,000) must be trained in accordance with the hazard communication standard for the construction industry issued by Occupational Safety and Health Administration of the U.S. Department of Labor at 29 CFR 1926.59, and either be supervised by an individual certified as a lead-based paint abatement supervisor or have successfully completed a renovator course.

If the certified renovator or the lead-based paint abatement supervisor (completed 4 hour Renovation, Repair and Painting (RRP) refresher course) 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 certified renovator or lead-based paint abatement supervisor is off site at any time during the lead remediation work, then the workers must attend a one day EPA RRP course at MN Department of Labor & Industry's website:

<https://secure.doli.state.mn.us/ccldeccourses>.

9. As appropriate, a clearance examination must be conducted by an appropriately trained and licensed professional and should not be the same person/agency who completed the lead-based paint hazard reduction work.
  - a. Clearance documentation must cover requirements at 24 CFR 35.1340
10. Abatement is required under the following circumstances and requires the general contractor to be a licensed lead-based paint abatement supervisor:
  - a. when abatement is ordered by the Department of Health or Health Board; or
  - b. when federal funds are available specifically for lead abatement and lead costs exceeding \$25,000.

Please consult with your SCDP Representative if considering lead-based paint abatement.

### **REQUIRED DOCUMENTS IN PROJECT FILES**

The following documentation are required in each individual project file for residential units:

- Documentation to show household received the Renovate Right document
- Lead Safe Housing Rule Applicability Form
  - This form will indicate if the property is covered by or exempt from Lead Safe Housing



## Rule.

In addition to the forms above, following documentation are required in each individual project file for residential units built on or before 1978. If no lead-based paint hazards are found, documents with “(if applicable)” are not required.

- Letter notifying residents of upcoming Lead Risk Assessment
  - There should be documentation to show residents were made aware of an upcoming lead risk assessment
- Full Lead Risk Assessment
  - Report should contain visual, XRF scan and dust wipe analysis results.
- Summary Notice of Lead-based Paint Risk Assessment and Reduction
  - There must be evidence that the residents received the report and the summary. This is important in determining projects comply with the report time requirement at 24 CFR 35.125(a)
- Relocation Screening Sheet for Occupant Protection with lead Hazard Reduction Activities (if applicable and should be signed by all parties)
- Full Lead Clearance Report (if applicable)
  - Report should cover requirements at 24 CFR 35.1340
- Summary Notice of Completion of Lead-based Paint Hazard Reduction Activity (if applicable)
  - There needs to be evidence that the residents received the report and summary.

## Monitoring

Monitoring activities assist grantees to systematically assess the progress of their program, identifying obstacles to successful program implementation and alternatives or solutions to problems.

It is the Small Cities Unit policy to conduct all monitoring activities in a positive, helpful manner. The goal of monitoring is to examine activity progress and compliance with CDBG and other federal requirements and to evaluate organizational and project performance.

Grantees conducting activities other than Public Facilities must have or must develop policies and procedures prior to starting the program, as required in the grant contract agreement. Policies on limits of assistance, financial package, target area, etc., must match the information in the funded application.

Grantees will be monitored onsite at least once during the term of the grant agreement. When monitoring SCDP projects, SCDP staff will review grantee files for compliance with conditions in the grant agreement.

There are two types of monitoring:

- Onsite Monitoring
- Ongoing Monitoring

Onsite monitoring consists of DEED reviewing the following areas:

- National Objective and Record Keeping
- 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 any time during the grant period:

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

A monitoring will end with an Exit Interview and the SCDP representative will discuss the conclusions: Findings, Concerns or Recommendations of the monitoring.

**Finding** – a specific noncompliance with federal or state regulatory requirements or SCDP policies and procedures. Findings must be addressed within 30 days of receipt of the monitoring

report. If a response is not received, SCDP unit will begin the process of suspending funds for all open grants. Consideration of funding of future applications may be impacted if these issues are not resolved in a timely manner.

**Concerns** - a potential problem that, if not addressed and corrected, may later result in a “finding.” The first violation of an SCDP policy or procedure will be considered a concern. If a concern was identified in a prior monitoring visit and the issue persists, it will result in a finding.

**Recommendations** - a recommendation made by an SCDP representative to assist in the implementation of the program. Grantees may choose whether to follow the recommendation. No concerns or findings will result if these recommendations are not followed.

## **Technical Assistance**

Technical assistance will be provided to grantees that are experiencing difficulties in making sufficient progress toward completing their projects. Examples include:

- Grantee has not completed the environmental review and Request for Release of Funds within three months (90 days) of the execution of the grant agreement.
- Grantee has not expended or requested any CDBG funds within 6 months of the date of the grant agreement.

## Pre-award Costs

SCDP allows grantees to claim and draw down certain, reasonable “pre-award costs” to which the grantee has committed prior to the executed grant contract agreement.

Pre-award costs that may be eligible include the following:

- Costs incurred to attend the Small Cities Development Program (SCDP) Implementation Workshop.
- Costs incurred to complete an environmental review.
- Costs incurred to accept applications and determine scope of work.
- Grant start-up activities (i.e., Policies and Procedures).
- Engineering and architectural services on SCDP funded and related activities.

No eligible pre-award costs can be drawn down until the following has occurred:

- An executed grant agreement with DEED.
- Cleared SCDP environmental review process.
- Received the Authority to use grant funds notification.
- Cleared any special conditions necessary.

**GRANT APPLICATION PREPARATION IS NOT AN ALLOWABLE PRE-AWARD COST.**

## Procurement of Goods and Services

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 2 CFR Part 200 – Procurement Standards 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 2 CFR Part 200.320 (refer to “Financial Management” section) 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.

### **Grant Management Services:**

Procurement: The Grantee must maintain documentation that shows that professional services were procured in accordance with 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Per 2 C.F.R. § 200.319(f), noncompetitive procurements can only be awarded in accordance with 2 C.F.R. § 200.320(c). The Housing and Redevelopment Authority (HRA), the Regional Housing Development Commission (RDC) and non-profit organizations procured for the Small Cities Development Program administrative services need to submit a written request in order to be considered for noncompetitive procurement under 2 C.F.R. § 200.320(c)(4).

If administrative services are being provided by a for-profit entity, evidence that the entity was procured competitively must be provided to DEED before a pay request will be issued.

Link below is HUD’s webinar on the latest guidance under the Office of Management and Budget (OMB) Uniform Guidance as provided in 2 CFR Part 200.

<https://www.youtube.com/watch?v=HM5bxupeiCs>

Refer to “Contracting for Professional Services” section in the Application Guide Packet.

## Program Income and Local Income Generated

**Program Income** is defined as income of \$35,000 or more generated in a federal fiscal year (October 1 – September 30) by SCDP funds from past and open grants. For reporting purposes, do not combine funds generated through SCDP grants and Minnesota Investment Fund (MIF) revolving loan fund grant repayments and interest. These should be accounted for and reported separately. Reporting is due October 15th each year.

If a grantee receives less than \$35,000 in a fiscal year, it is not considered Program Income but referred to as Local Income.

Program Income and Local Income funds generated could include:

- loan repayments (with interest, if applicable).
- proceeds from the sale of property in which SCDP funds were used.
- interest earned on the Program Income itself.

Program Income from previous grants must be used before newly awarded grant funds can be disbursed. Program Income must be listed as leverage on applications and is expected to be drawn prior to drawing awarded funds.

Program Income and Local Income must be reused in a manner consistent with what was stated in the funding application, grant contract agreement, SCDP program requirements (national objective, environmental, labor standards and etc.) and their respective Program Income Reuse Plan. After closeout, if grantees wish to use Program Income or Local income generated for something other than the activities that generated the income, SCDP staff should be consulted.

### **REPORTING PROGRAM INCOME (PI)**

#### **Reporting PI on Open SCDP Grants:**

Program income received from past grants with an open grant must be reported on the “Program Income and Local Funds Reporting – Open Grant” section of the Annual Report. Do not complete the **Post-Closeout Program Income Reporting** that is on DEED’s website.

Program income from past grants expended by grantees with an open grant must be reported in the “Expenditure” and “Program Income and Local Funds Reporting – Open Grant” sections of the Annual Report. Do not complete the **Post-Closeout Expenditure Report** that is on DEED’s website.

#### **Reporting on Closed SCDP Grants for Grantees that do not have any current open grants:**

For funds received on closed grants, use the **Post-Closeout Program Income Reporting** online reporting form. Report funds received if \$35,000 or more as Program Income. If \$0-\$34,999 is received, it is considered as SCDP Local Income and should be reported as \$0.

On closed grants, if Program Income funds were expended on an eligible SCDP activity, complete the **Online Post Closeout Expenditure Report**, and send electronically to your SCDP representative when the project is completed. This report includes demographics, income levels,

leveraged funds, etc. Start early to ensure you have the data needed. Note: If you plan on expending funds, expend all funds, and complete the project in the same reporting period (Oct. 1-Sept. 30).

### **Establishing & Managing - Reuse Funds:**

A revolving fund (reuse funds) is a separate fund with an independent set of accounts used only to track Program Income and Local Income. Reuse of funds may be established for activities approved by SCDP.

- If an organization other than the grantee is administering income-producing activities, the reuse of such income shall be stated in the administrative contract between the grantee and the administrator.
- All repayments (Program Income and Local Income) must be repaid to the grantee and not the administrator.
- Grant Preliminary Proposal or Application preparation is not an eligible use of Program Income.

It is recommended that grantees maintain separate accounts for Program Income and Local Income. While the reuse of these funds may be similar, there are less reporting requirements for Local Income.

DEED may request information and review grantee files for Local Income and Program Income to ensure its reuse complies with the grantee's application, funding agreement, and Reuse Income Plan.



## **Public Hearing**

A public hearing or public hearings will be the primary means of obtaining citizen views and responding to proposals and questions related to community development and housing needs, proposed SCDP activities and past SCDP performance.

Prior to submitting a SCDP application to the State of Minnesota, the Applicant will need to conduct at least one public hearing to identify community development and housing needs, including the needs of very low- and low-income persons, as well as other needs in the community that might be addressed through the SCDP program. At the hearing, the Applicant must also, at minimum, review the proposed SCDP activities, their benefiting location(s), overall cost and proposed financing, and the implementation schedule. In addition, the past performance of the Applicant in carrying out SCDP responsibilities should be reviewed. Failure to conduct the hearing as required will result in the rejection of the application as it will not be in compliance with Citizens Participation requirements.

A second public hearing midway through project implementation is required to enable citizens to offer input about grant progress.

Formal notice of the public hearing must be provided, which follows the posting/publication requirement(s) of the Applicant. A public notice will also be posted in places frequented by the public, especially low- and moderate-income persons benefiting from or affected by proposed SCDP activities. As circumstances warrant and as the Applicant determine necessary or appropriate, participation may additionally be specifically solicited from persons of low- and moderate-income, those benefiting from or affected by SCDP activities and/or representatives of such persons. Hearings will be held at times and in locations convenient to potential and actual beneficiaries and with accommodation for the handicapped and ADA compliant. In case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate, arrangements will be made to have an interpreter present.

Citizens must be provided the opportunity to comment upon the original Citizen Participation Plan and on substantial amendments to it, or to the activities for which SCDP funds will be used.

## Records Retention

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 three 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 three 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 three years after its final disposition.
3. Records for any displaced person (if any) shall be retained for three years after that person has received final payment.
4. Records pertaining to each real property acquired shall be retained for three 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.
5. DEED may require electronically scanned documents for review.

The CFR record retention policy language can be found in 2 CFR § 200.333 Retention requirements for record. Refer to links below:

<https://www.govinfo.gov/content/pkg/CFR-2019-title2-vol1/pdf/CFR-2019-title2-vol1-part200.pdf>

<https://www.hud.gov/sites/documents/CFR200.pdf>

Grantees awarded after 12/26/2014 would be under the new 2 CRF language, while the older grants awarded prior to would need to follow the old HUD policy in effect before 2 CRF updates were implemented.

## Relocation, Anti-displacement and 1 for 1 Replacement

The following are requirements of the SCDP program:

1. Grantees are required to certify, adopt, make public and follow a “Residential Anti-displacement 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.
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. Refer to “Appendix I” for General Information Notice (GIN).

To avoid both economic displacement and loss of affordable residential rental units, grantees must track rents in both residential and commercial properties, to ensure the following:

- a) residential rents (which includes all tenant-paid utilities, but not including phone/cable/internet) on occupied are not increased because 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.

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.

## Reporting Requirements

The SCDP requires grantees to report on grant activities using an Annual Report.

This report will be available online and must be completed and submitted to DEED electronically.

The report covers the period October 1 through September 30 of each year the grant is active and is due by October 15th of each year.

If the grant end date is Dec 31st. The closeout report should include the time period of Oct 1-Dec 31.

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

Grantees must also submit the following reports

- quarterly grant progress reports during the lifetime of the grant
- program income report (online report for closed grants)
- annual audits if applicable

### **Reminder**

Include evidence of second public hearing and the public meeting minutes if ready or an affidavit of public hearing as part of your final report.

Final Report: Refer to “Closeout” section.

## **Subordination and Refinancing**

During the life of the SCDP loan, **recipients** may refinance to secure a lower interest rate on a mortgage, not exceeding a loan to value determined by local policy.

SCDP grant recipients may use the cash equity to rehabilitate the property. Cash equity for all other uses are not allowed unless the SCDP loan is repaid in full. An exception may be granted based on special circumstances with prior approval from DEED.

DEED does not process subordinations. Subordinations are to be reviewed and processed by each respective grantee.

## Start-up

1. Execute the Grant Contract Agreement. (refer to the “Grant Agreement” section).
2. Complete the environmental review. (refer to the “Environmental Review” section) and consult your SCDP Representative for additional information.  
HUD Resource - <https://www.hudexchange.info/programs/environmental-review/> or <https://www.hudexchange.info/programs/environmental-review/environmental-review-training/#environmental-review-procedures-and-resources>
3. Develop, adopt, and submit the following plans to DEED.
  - Drug Free Workplace Plan
  - Prohibition of Excessive Force
  - Anti-Displacement Plan (refer to the “Relocation, Anti-displacement and 1 for 1 Replacement” sections)
  - Section 3 Plan
  - Fair Housing Plan
  - Program Income Reuse Plan (not application for public facility projects)
4. Comply with the conditions of the Grant Contract Agreement. Refer to “Grant Start-up Checklist” in SCDP Google drive.
5. When the environmental review, grant contract agreement, and the above policies are all approved, DEED will release the fully executed contract agreement, authority to use grant funds, disbursement request form and disbursement request calendar.
6. In addition, for large rental developments and public facility projects, DEED requires the review of bid specifications before the disbursement request is released.

## **Termination of SCDP Grants**

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

### **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.

### **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.



## Unique Entity Identifier (UEI)

Data Universal Numbering System (DUNS) has transitioned to Unique Entity Identifier (UEI) officially on 4/4/2022. The DUNS system had been decommissioned on 3/30/2022.

Listed below is the link on how to obtain a new UEI number:

<https://www.gsa.gov/about-us/organization/federal-acquisition-service/office-of-systems-management/integrated-award-environment-iae/iae-systems-information-kit/unique-entity-identifier-update>.

Grantees can also direct applicants to visit <https://sam.gov/content/home> and click on the “Get Started” button under *the Register Your Entity or Get a Unique Entity ID* field to start the process in obtaining a number.

In situations where one party owns a building and is renting the building to another party, the UEI’s number should be for the business renting the building.



## 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 Anti-displacement 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 C

## Citizen Participation Plan - Example

Pursuant to Section 104(a)(3) of the Housing and Community Development Act of 1974, as amended, this Citizen Participation Plan is hereby adopted to ensure that the citizens of \_\_\_\_\_ (hereinafter referred to as the Applicant), particularly persons of low and moderate income residing in slum and blight areas and in areas in which CDBG funds are proposed to be used, are encouraged to participate in the planning and implementation of CDBG- funded activities.

### **Public Hearing**

A public hearing or public hearings will be the primary means of obtaining citizen views and responding to proposals and questions related to community development and housing needs, proposed CDBG activities and past CDBG performance.

Prior to submitting a CDBG application to the State of Minnesota, the Applicant will need to conduct at least one public hearing to identify community development and housing needs, including the needs of very low- and low-income persons, as well as other needs in the community that might be addressed through the CDBG program. At the hearing, the Applicant must also, at minimum, review the proposed CDBG activities, their benefiting location(s), overall cost and proposed financing, and the implementation schedule. In addition, the past performance of the Applicant in carrying out CDBG responsibilities should be reviewed. A second public hearing midway through project implementation is required.

Formal notice of the public hearing must be provided, which follows the posting/publication requirement(s) of the Applicant. A public notice will also be posted in places frequented by the public, especially low- and moderate-income persons benefiting from or affected by proposed CDBG activities. As circumstances warrant and as the Applicant determine necessary or appropriate, participation may additionally be specifically solicited from persons of low and moderate income, those benefiting from or affected by CDBG activities and/or representatives of such persons. Hearings will be held at times and in locations convenient to potential and actual beneficiaries and with accommodation for the handicapped. In case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate, arrangements will be made to have an interpreter present.

Citizens must be provided the opportunity to comment upon the original Citizen Participation Plan and on substantial amendments to it, or to the activities for which CDBG funds will be used.

### **Public Information and Records**

Information and records regarding the proposed and past use of CDBG funds will be available at \_\_\_\_\_ (location) during regular office hours. The public will be so informed of this by public notice. Special communication aids can be made available to persons upon request.

### **Written Comments and Response**

The Applicant will respond to written complaints and grievances, in writing, in a timely manner. When at all possible, such written responses shall be made within fifteen (15) working days.

Applicant

Signature of Chief Elected Official of Applicant

Date

**NOTE: EACH JURISDICTION PARTICIPATING IN A JOINT APPLICATION IS REQUIRED TO FOLLOW CITIZEN PARTICIPATION REQUIREMENTS. A SINGLE PLAN CAN BE USED FOR A MULTI- JURISDICTIONAL APPLICATION, BUT CITIZENS FROM ALL JURISDICTIONS MUST BE GIVEN AN OPPORTUNITY TO PARTICIPATE.**

# 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)

Note: For Statutory Cities, document needs to be signed by the Mayor and City Administrator  
For Charter Cities, document only need the lead official's signature; Mayor.

### **Civil Rights Laws Small Cities Development Program State of Minnesota**

**Title VI of the Civil Rights Act of 1964.** This law prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance.

**Section 109, Title I, of the Housing and Community Development Act (HCDA) of 1974.** This law prohibits discrimination on the basis of race, color, national origin, sex (including gender identity and sexual orientation), and religion in any program or activity funded in whole or in part under Title I of the Community Development Act of 1974, which includes Community Development Block Grants.

**Age Discrimination Act of 1975.** This law The Age Discrimination Act of 1975 prohibits discrimination on the basis of age in programs and activities receiving federal financial assistance.

**Title VIII, Civil Rights Act of 1968, as amended (The Fair Housing Act).** This law prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, because of race, color, religion, sex (including gender identity and sexual orientation), familial status, national origin, and disability. It also requires that all federal programs relating to housing and urban development be administered in a manner that affirmatively furthers fair housing.

**Executive Order 11063, Amended by Executive Order 12259, (Equal Opportunity in Housing).** This executive order prohibits discrimination in housing and related facilities provided with federal funds on the basis of race, color, religion, creed, sex, or national origin.

**Section 3, Housing and Urban Development Act of 1968, as amended.** This law provides that to the greatest extent feasible, opportunities for training and employment that arise through HUD financed projects shall be given to lower income residents of the project area. Section 3 also provides that contracts awarded in connection with such projects shall be awarded to Section 3 businesses located in the area, or businesses owned in substantial part by residents in the project area.

**Executive Order 11246 (Equal Employment Opportunity).** This executive order provides that no person shall be discriminated against on the basis of race, color, religion, sex, sexual orientation, gender identity, or national origin in any phase of employment during the performance of federal or federally assisted construction

contracts. Contracts in excess of \$10,000 require applicable equal opportunity language and affirmative action in bid specifications and contract documents.

**Executive Orders 11625, 12432, 12138.** These executive orders require that efforts be made to encourage the use of minority and women owned businesses in federally funded programs.

**Public Law 95-507, Amendments to the Small Business Investment Act of 1958.** This law establishes and sets forth that “it is the policy of the U.S. that small business concerns, and small business concerns owned and controlled by socially and economically and disadvantaged individuals, shall have the maximum practicable opportunity to participate in the performance of contracts let by any federal agency.”

**Section 504 of the Rehabilitation Act of 1973, as amended.** This law prohibits discrimination based on disability in any program or activity receiving federal financial assistance.

**Americans with Disabilities Act (ADA).** This law provides civil rights protection to persons with disabilities in the areas of employment, public services, public accommodations, and telecommunications.

**Minnesota Human Rights Law (Chapter 363).** This law prohibits discrimination in credit, employment, housing, public accommodations, public service, and education on the basis of race, color, creed, national origin, sex, marital status, disability, sexual orientation, public assistance, and familial status.



**Uniform Administrative Requirements**

**§ 200.321**

**Excerpt on M/WBE Contracting  
Small Cities Development Program  
State of Minnesota**

(a) The non-Federal entity must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

(b) Affirmative steps must include:

(1) Placing qualified small and minority businesses and women's business enterprises on solicitation lists;

(2) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;

(3) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;

(4) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;

(5) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and

(6) Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in [paragraphs \(b\)\(1\)](#) through [\(5\)](#) of this section.

## Appendix G

**Standard Federal Equal Employment Opportunity  
Construction Contract Specifications  
(Executive Order 11246)  
Small Cities Development Program  
State of Minnesota**

1. As used in these specifications:
  - a. “Covered area” means the geographical area described in the solicitation from which this contract resulted;
  - b. “Director” means Director, Office of Federal Contract Compliance Program, United States Department of Labor, or any person to whom the Director delegates authority;
  - c. “Employer identification number” means the Federal Social Security Number used on the Employer’s quarterly Federal Tax Return, U.S. Treasury Department Form 941.
  - d. “Minority: includes:
    - (i) Black (all persons having origins in any of the Black African racial groups not of Hispanic origin);
    - (ii) Hispanic (all persons of Mexican, Puerto Rican, Cuban, Central or South America or other Spanish Culture or origin, regardless of race);
    - (iii) Asian and Pacific Islander (all persons having origins in any of the original peoples of the Far East, Southeast Asia, the Indian Subcontinent, or the Pacific Islands); and
    - (iv) American Indian or Alaskan Native (all groups having origins in any of the original peoples of North American and maintaining identifiable tribal affiliations through membership and participation or community identification).
2. Whenever the Contractor, or any Subcontractor at any tier, subcontracts a portion of the work involving any construction trade, it shall physically include in each subcontract in excess of \$10,000, the provisions of these specifications and the Notice which contains that applicable goals for minority and female participation and which is set forth in the solicitations from which the contract resulted.
3. If the Contractor is participating (pursuant to 41 CFR 60-4.5) in a Hometown Plan approved by the U.S. Department of Labor in the covered area either individually or through an association, its affirmative action obligations on all work in the Plan area (including goals and timetables) shall be in accordance with the Plan for those trades which have unions participating in the Plan. Contractors must be able to demonstrate

their participation in and compliance with the provisions of any such Hometown Plan. Each Contractor or Subcontractor participating in an approved Plan is individually required to comply with its obligations goal under the Plan in each trade in which it has employees. The overall good faith performance by other Contractors or Subcontractors toward a goal in an approved Plan does not excuse any covered Contractor's or Subcontractor's failure to take good faith efforts to achieve the Plan goals and timetables.

4. The Contractor shall implement the specific affirmative action standards provided in paragraphs 7 a through p of these specifications. The goals set forth in the solicitation from which this contract resulted are expressed as percentages of the total hours of employment and training of minority and female utilization the Contractor should reasonably be able to achieve in each construction trade in which it has employees in the covered area. Covered Construction contractors performing construction work in geographical areas where they do not have a Federal or federally assisted construction contract shall apply the minority and female goals established for the geographical area where the work is being performed. Goals are published periodically in the Federal Register in notice form, and such notices may be obtained from any Office of Federal Contract Compliance Programs or from Federal procurement contracting officers. The contractor is expected to make substantially uniform progress toward meeting its goals in each craft during the period specified.
5. Neither the provisions of any collective bargaining agreement, nor the failure by a union with whom the Contractor has a collective bargaining agreement, to refer either minorities or women shall excuse the Contractor's obligations under these specifications, Executive Order 11246, or the regulations promulgated pursuant thereto.
6. In order for the nonworking training hours of apprentices and trainees to be counted in meeting the goals, apprentices and trainees must be employed by the Contractor during the training period, and the Contractor must have made a commitment to employ the apprentices and trainees at the completion of their training, subject to the availability of employment opportunities. Trainees must be trained pursuant to training programs approved by the U.S. Department of Labor.
7. The Contractor shall take specific affirmative actions to ensure equal employment opportunity. The evaluation of the Contractor's compliance with these specifications shall be based upon its effort to achieve maximum results from its actions. The Contractor shall document these efforts fully, and shall implement affirmative action steps at least as extensive as the following:
  - a. Ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites, and in all facilities at which the

Contractor's employees are assigned to work. The Contractor, where possible, will assign two or more women to each construction project. The contractor shall specifically ensure that all foremen, superintendents, and other on-site supervisory personnel are aware of and carry out the Contractor's obligations to maintain such a working environment, with specific attention to minority or female individuals working at such sites or in such facilities.

- b. Establish and maintain a current list of minority and female recruitment sources, provide written notification to minority and female recruitment sources and to community organizations when the Contractor or its unions have employment opportunities available, and maintain a record of the organization's responses.
- c. Maintain a current file of the names, addresses and telephone numbers of each minority and female off-the-street applicant and minority and female referral from a union, a recruitment source or such individual. If such individual was sent to the union hiring hall for referral and was not referred back to the Contractor by the union or, if referred, not employed by the Contractor, this shall be documented in the file with the reason therefore, along with whatever additional actions the Contractor may have taken.
- d. Provide immediate written notification to the Director when the union or unions with which the Contractor has a collective bargaining agreement has not referred to the Contractor a minority person or woman sent by the Contractor, or when the Contractor has other information that the union referral process had impeded the Contractor's efforts to meet its obligations.
- e. Develop on-the-job training opportunities and/or participate in training programs for the area which expressly include minorities and women, including upgrading programs and apprenticeship and trainee programs relevant to the Contractor's employment needs, especially those programs funded or approved by the Department of Labor. The Contractor shall provide notice of these programs to the sources compiled under 7b above.
- f. Disseminate the Contractor's EEO policy by providing notice of the policy to unions and training programs and requesting their cooperation in assisting the Contractor in meeting its EEO obligations; by including it in any policy manual and collective bargaining agreement; by publicizing it in the company newspaper, annual report, etc.; specific review of the policy with all management personnel and with all minority and female employees at least once a year; and by posting the company EEO policy on bulletin boards accessible to all employees at each location where construction work is performed.
- g. Review, at least annually, the company's EEO policy and affirmative action

obligations under these specifications with all employees having any responsibility for hiring, assignment, layoff, termination, or their employment decisions, including specific review of these items with on-site supervisory personnel such as Superintendents, General Foreman, etc., prior to the initiation of construction work at any job site. A written record shall be made and maintained identifying the time and place of these meetings, persons attending, subject matter discussed, and disposition of the subject matter.

- h. Disseminate the Contractor's EEO policy externally by including it in any advertising in the news media, specifically including minority and female news media, and providing written notification to and discussing the Contractor's EEO policy with other Contractors and Subcontractors with whom the Contractor does or anticipates doing business.
- i. Direct its recruitment efforts, both oral and written, to minority, female, and community organizations, to schools with minority and female students and to minority and female recruitment and training organizations serving the Contractor's recruitment area and employment needs. Not later than one month prior to the date for the acceptance of the applications for apprenticeship or other training by any recruitment sources, the Contractor shall send written notification to organizations, such as the above, describing the openings, screening procedures, and tests to be used in the selection process.
- j. Encourage present minority and female employees to recruit other minority persons and women and, where reasonable, provide after school, summer and vacation employment to minority and female youth both on the site and in other areas of a Contractor's workforce.
- k. Validate all tests and other selection requirements where there is an obligation to do so under 41 CFR Part 60-3.
- l. Conduct, at least annually, an inventory and evaluation at least of all minority and female personnel for promotional opportunities and encourage these employees to seek or to prepare for, through appropriate training, etc., such opportunities.
- m. Ensure that seniority practices, job classification, work assignments, and other personnel practices, do not have a discriminatory effect by continually monitoring all personnel and employment related activities to ensure that the EEO policy and the Contractor's obligations under these specifications are being carried out.
- n. Ensure that all facilities and company activities are nonsegregated except that separate or single-user toilet and necessary changing facilities shall be

provided to assure privacy between the sexes.

- o. Document and maintain a record of all solicitations of offers for subcontracts from minority and female construction contractors and suppliers, including circulation of solicitations to minority and female contractor associations and other business associations.
  - p. Conduct a review, at least annually, of all supervisors adherence to and performance under the Contractor's EEO policies and affirmative action obligations.
8. Contractors are encourage to participate in voluntary associations which assist in fulfilling one or more of the affirmative action obligations (7a through p). The efforts of a contractor association, joint contractor-union, contractor-community, or other similar group of which the Contractor is a member and participant, may be asserted as fulfilling any one or more of its obligations under 7a through p of these Specifications provided that the Contractor actively participates in the group, makes every effort to assure that the group has a positive impact on the employment of minorities and women in the industry, ensures that the concrete benefits of the program are reflected in the Contractor's minority and female workforce participation, makes a good faith effort to meet its individual goals and timetables, and can provide access to documentation which demonstrates the effectiveness of action taken on behalf of the Contractor. The obligation to comply, however, is the Contractor's failure of such a group to fulfill an obligation shall not be a defense for the Contractor noncompliance.
9. A single goal for minorities and a separate single goal for women have been established. The Contractor, however, is required to provide equal employment opportunity and to take affirmative action for all minority groups, both male and female, and all women, both minority and non-minority. Consequently, the Contractor may be in violation of the Executive Order if a particular group is employed in a substantially disparate manner (for example, even though the Contractor has achieved its goals for women generally, the Contractor may be in violation of the Executive Order if a specific minority group of women is underutilized).
10. The Contractor shall not use the goals and timetables of affirmative action standards to discriminate against any person because of race, color, religion, sex, or national origin.
11. The Contractor shall not enter into any Subcontract with any person or firm debarred from Government contracts pursuant to Executive Order 11246.
12. The Contractor shall carry out such sanctions and penalties for violation of these specifications and of the Equal Opportunity Clause, including suspension,

termination, and cancellation of existing subcontracts as may be imposed or ordered pursuant to Executive Order 11246, amended, and its implementing regulations, by the Office of Federal Contract Compliance Programs. Any Contractor who fails to carry out such sanction and penalties shall be in violation of these Specifications and Executive Order 11246, as amended.

13. The Contractor, fulfilling its obligations under these Specifications, shall implement specific affirmative actions steps, at least as extensive as those standards prescribed in paragraph 7 of these Specifications, so as to achieve maximum results from its efforts to ensure equal employment opportunity. If the Contractor fails to comply with the requirements of the Executive Order, the implementing regulations or these specifications, the Director shall proceed in accordance with 41 CFR 60-4.8.
14. The Contractor shall designate a responsible official to monitor all employment related activity to ensure that the company EEO policy is being carried out, to submit reports relating to the provisions hereof as may be required by the Government and to keep records. Records shall at least include for each employee the name, address, telephone numbers, construction trade, union affiliation, if any, employee identification number when assigned, social security number, race, sex, status, (e.g., mechanic, apprentice, trainee, helper, or laborer), dates of changes in status, hours worked per week in the indicated trade, rate of pay, and locations at which the work was performed. Records shall be maintained in an easily understandable and retrievable form; however, to the degree that existing records satisfy this requirement, Contractors shall not be required to maintain separate records.
15. Nothing herein provided shall be construed as a limitation upon the application of other laws which establish different standards of compliance or upon the application of requirements for hiring of local or other area residents (e.g., those under the Public Works Employment Act of 1977 and the Community Development Block Grant Program).

**Section 3  
24 CFR 75**

**Small Cities Development  
State of Minnesota**

- A. Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992 is to ensure that economic opportunities, most importantly employment, generated by certain HUD financial assistances shall be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing or residents of the community in which the Federal assistance is spent.
  - a. The Section 3 Final Rule as detailed in the Federal Register Docket Number FR-6085-F-03 went into effect on November 30, 2020. This Final Rule amended Section 3 regulations and is now found at 24 CFR 75.
- B. Section 3 projects are defined at 24 CFR 75.3(a) as housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds a threshold of \$200,000.
  - a. The threshold is \$100,000 where the assistance is from the Lead Hazard Control and Healthy Homes programs.
  - b. The project site is the site or sites together with any building(s) and improvements located on the site(s) that are under common ownership, management, and financing.
- C. Section 3 projects funded with Small Cities Development Program or Minnesota Community Development Block Grant Coronavirus Program funds will follow requirements listed in:
  - a. Subpart A – General Provisions (75.1 – 75.7)
  - b. Subpart C – Additional Provisions for Housing (75.19 – 75.27)
  - c. Subpart D – Provisions for Multiple Funding Sources, Recordkeeping, and Compliance (75.29 – 75.33)
- D. Definitions associated with Section 3 projects are found at 24 CFR 75.5.
  - a. Labor hours mean the number of paid hours worked by person on a Section 3 project or by persons employed with funds that include public housing financial assistance.
  - b. Section 3 business concern means
    - i. A business concern meeting at least one of the following criteria documented within the last six-month period:
      - 1. It is at least 51% owned and controlled by low- or very low-income persons; or



2. Over 75% of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or
  3. It is a business at least 51% owned and controlled by current public housing residents or resident who currently live in Section 8-assisted housing
- ii. The status of a Section 3 business concern shall not be negatively affected by a prior arrest or conviction of its owner(s) or employees.
  - iii. Nothing in this part shall be construed to require the contracting or subcontracting of a Section 3 business concern. Section 3 business concerns are not exempt from meeting the specifications of the contract.
- c. Section 3 worker means
- i. Any worker who currently fits or when hired within the past five years fit at least one of the following categories, as documented:
    1. The worker's income for the previous or annualized calendar year is below the income limit established by HUD
    2. The work is employed by a Section 3 business concern.
    3. The worker is a YouthBuild participant.
  - ii. The status of a Section 3 worker shall not be negatively affected by a prior arrest or conviction.
  - iii. Nothing in this part shall be construed to require the employment of someone who meets this definition of a Section 3 worker. Section 3 workers are not exempt from meeting the qualifications of the position to be filled.
- d. Targeted Section 3 worker is defined at 75.21 for projects with SCDP funding or 75.29 for projects funded with SCDP and Public Housing Financial Assistance funding.
- i. Targeted Section 3 worker defined at 75.21 means a worker is
    1. A worker employed by a Section 3 business concern; or
    2. A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years
      - a. Living within the service area or the neighborhood of the project, as defined in 75.5; or
      - b. A YouthBuild participant.
- E. The contractor/subcontractor will complete and/or collect the following Section 3 information and provide copies to the grant recipient and/or authorized project administrator:
- a. Section 3 and Women- or Minority-Owned Business Certification
  - b. Section 3 Worker and Target Section 3 Worker Self-Certification form (as applicable)
  - c. Section 3 Business Concern Certification for Contracting (as applicable)
- F. The contractor/subcontractor will assist the grant recipient and/or authorized project administrator in meeting reporting requirements at 24 CFR 75.25 by providing the following:

- a. The total number of labor hours worked of all workers; and
  - b. The total number of labor hours worked by Section 3 workers; and
  - c. The total number of labor hours worked by Targeted Section 3 workers.
- G. Pursuant to 24 CFR 75.27(b) recipients of Section 3 funding must require subrecipient, contractors, and subcontractors to meet the requirements of 24 CFR 75.19, regardless of whether Section 3 language is included in recipient or subrecipient agreements, program regulatory agreements, or contracts.
- H. Recordkeeping and compliance requirements with the Section 3 Final Rule are found at 24 CFR 75.31 and 24 CFR 75.33, respectively.

## Appendix I

### Sample General Information Notice Residential Tenant Who Will Not Be Displaced Small Cities Development Program State of Minnesota

*Grantee or Agency Letterhead*

*(date)*

Dear \_\_\_\_\_:

On *(date)* , *(property owner)* submitted an application to the *(Grantee)* for financial assistance to rehabilitate the building which you occupy at *(address)*.

This notice is to inform you that, if the assistance is provided and the building is rehabilitated, you will not be displaced. Therefore, we urge you not to move anywhere at this time. (If you do elect to move for reasons of your choice, you will not be provided relocation assistance.)

If the application is approved and Federal assistance is provided for the rehabilitation, you will be able to lease and occupy your present apartment (or another suitable, decent, safe, and sanitary apartment in the same building) upon completion of the rehabilitation. Of course, you must comply with standard lease terms and conditions.

After the rehabilitation, your initial rent, including the estimated average monthly utility costs, will not exceed the greater of (a) your current rent/average utility costs, or (b) 30 percent of your average monthly gross household income. If you must move temporarily so that the rehabilitation can be completed, suitable housing will be made available to you for the temporary period, and you will be reimbursed for all reasonable extra expenses, including all moving costs and any increase in housing costs.

Again, we urge you not to move. If the project is approved, you can be sure that we will make every effort to accommodate your needs. Because Federal assistance would be involved, you would be protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

This letter is important and should be retained. You will be contacted soon. In the meantime, if you have any questions about our plans, please contact *(name)* , *(title)* , at *(phone)* , *(address)*.

Sincerely,  
*(name and title)*

## NOTES

1. The case file must indicate the way this notice was delivered (e.g., personally served, or certified mail, return receipt requested) and the date of delivery. (Refer to Paragraph 2-3d of the HUD Handbook 1378.)
2. This is a guide form. It should be revised to reflect the circumstances.

**Sample Notice To Prospective Tenant**  
**Small Cities Development Program**  
**State of Minnesota**

*Grantee or Agency*

*Letterhead (date)*

Dear \_\_\_\_\_:

On (date), (property owner) submitted an application to the (Grantee) for financial assistance to (acquire) (rehabilitate) (demolish) (convert) the building located at (address).

Because Federal funds are being used in this project, the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) of 1970 applies for tenants in residence at the time of application. However, as a new tenant, you will not be eligible for relocation benefits under URA.

This notice is to inform you of the following information BEFORE you enter into any lease agreement and occupy a unit at the above address:

- You may be displaced by the project.
- You may be required to relocate temporarily.
- You may be subject to a rent increase.
- You WILL NOT be entitled to any relocation benefits provided under the URA. If you must move or your rent is increased as a result of the above project, you will not be reimbursed for any such rent increase or for any costs or expenses incurred by you in connection with a move as a result of the project.

Please read this notification carefully prior to signing a rental agreement and moving into the building. If you should have any questions about this notice, please contact (grantee) at (address, telephone number). Once you have read and have understood this notice, please sign the statement below if you still want to lease the unit.

Sincerely,  
(name and title)

I have read the above information and understand the conditions under which I am moving into the building.

Name of Tenant

Signature

Address and Unit #

Date

**Sample Notice of Non-displacement to Residential Tenant**  
**Small Cities Development Program**  
**State of Minnesota**

*Grantee or Agency*

*Letterhead (date)*

Dear \_\_\_\_\_:

On (date), we notified you that the owner of your building had applied for assistance to make extensive repairs to the building. On (date), the owner's request was approved, and the repairs will begin soon.

This is a **notice of non-displacement**. You will not be required to move permanently because of the rehabilitation. This notice guarantees you the following:

1. You will be able to lease and occupy your present apartment [or another suitable, decent, safe, and sanitary apartment in the same building/complex] upon completion of the rehabilitation. Your monthly rent will remain the same or, if increased, your new rent and estimated average utility costs will not exceed 30% of the gross income of all adult members of your household. Of course, you must comply with the reasonable terms and conditions of your lease.
2. If you must move temporarily so that the repairs can be completed, you will be reimbursed for all your extra expenses, including the cost of moving to and from the temporarily occupied unit and any additional housing costs. The temporary unit will be decent, safe, and sanitary, and all other conditions of the temporary move will be reasonable.

Since you will have the opportunity to occupy a newly rehabilitated apartment, I urge you not to move. (If you do elect to move for your own reasons, you will not receive any relocation assistance.) We will make every effort to accommodate your needs. Because Federal assistance is involved, you are protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

If you have any questions, please contact (name), (title), at (phone), (address). Remember, do not move before we have a chance to discuss your eligibility for assistance. This letter is important to you and should be retained.

Sincerely,  
(name and title)

## **NOTES**

1. The case file must indicate the way this notice was delivered (e.g., personally served, or certified mail, return receipt requested) and the date of delivery. (Refer to Paragraph 2-3d of the HUD Handbook 1378.)
2. This is a guide form. It should be revised to reflect the circumstances.

**Sample Notice of Non-displacement to Residential  
Tenant for Temporary Relocation**  
**Small Cities Development Program**  
**State of Minnesota**

*Grantee or Agency Letterhead*  
*(date)*

Dear \_\_\_\_\_:

On *(date)*, we notified you that the owner of your building had applied for assistance to make extensive repairs to the building. On *(date)*, the owner's request was approved and the repairs will begin soon.

This is a **notice of non-displacement**. You will not be required to move **permanently** because of the rehabilitation. This notice guarantees you the following.

1. You will be able to lease and occupy your present apartment (or another suitable, decent, safe, and sanitary apartment in the same building/complex) upon completion of the rehabilitation. Your monthly rent will remain the same or, if increased, your new rent and estimated average utility costs will not exceed 30% of the gross income of all adult members of your household. Of course, you must comply with the reasonable terms and conditions of your lease.
2. Because of the extensive nature of the rehabilitation (or lead based paint hazards during rehabilitation), it will be necessary for you to temporarily vacate your apartment while the repairs are being made. We have available a rental unit that you can rent during this construction period which is expected to be approximately \_\_\_\_\_(length of time)\_\_\_\_\_.

We will make every effort to accommodate your needs. You will be reimbursed for extra expenses associated with this move, including the cost of moving to and from the temporary unit, hooking up your telephone and other utilities, and any other increased housing costs that are determined as necessary and reasonable.

Since you will have the opportunity to occupy a newly rehabilitated unit after the rehabilitation project is completed, I urge you **NOT TO MOVE**. If you do elect to move for your own reasons, you will not receive any relocation assistance.

Because Federal assistance is involved, you are protected by the Uniform Relocation Assistance and Real Property Acquisitions Act of 1970 as amended. If you have any questions about the temporary move, please contact *(name)* \_\_\_\_\_, *(title)* \_\_\_\_\_, at *(phone)* \_\_\_\_\_, *(address)* \_\_\_\_\_.

Remember, do not move before we have a chance to discuss your temporary move, needs and eligibility for assistance. This letter is very important and should be retained.

Sincerely,  
*(name and title)*



# Sample General Information Notice for Commercial Tenants who will not be Displaced

Small Cities Development Program

State of Minnesota

*Grantee or Agency Letterhead*

*(date)*

Dear \_\_\_\_\_:

On *(date)*, *(property owner)* submitted an application to our agency for financial assistance to rehabilitate the building which you occupy at *(address)*.

This letter is to notify you that if the assistance is provided and the building is rehabilitated, you will not be displaced. Therefore, we urge you not to move anywhere at this time. (If you elect to move of your choice, you will not be provided relocation assistance.)

If the application is approved and Federal Assistance is provided for the rehabilitation, you will be able to lease and occupy your present space upon completion of the rehabilitation. Of course, you must pay your rent during the rehabilitation activity and meet other lease terms and conditions.

After the rehabilitation, your rent will remain the same for at least your current lease and the next lease period.

If you must move temporarily so that rehabilitation can be completed, suitable space will be made available to you for the temporary period and you will be reimbursed for all reasonable extra expenses, including all moving costs and any increase in rental costs during that period.

Again, we urge you not to move. If the project is approved, you can be sure that we will make every effort to accommodate your needs. Because Federal Assistance would be involved, you would be protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

This letter is important and you should not throw it away. You will be kept informed of the outcome of the application for rehabilitation funds. In the meantime, if you have any questions about our plans, please contact *(name)*, *(title)*, at *(phone)*, *(address)*.

Sincerely,

*(name and title)*

**Sample Notice of Non-Displacement to Commercial Tenant**  
**Small Cities Development Program**  
**State of Minnesota**

*Grantee or Agency*

*Letterhead (date)*

Dear \_\_\_\_\_:

On (date), we notified you that the owner of your building had applied for assistance to make extensive repairs to the building. On (date), the owner's request was approved and the repairs will begin soon.

This is a notice of non-displacement. You will not be required to move permanently because of the rehabilitation. This notice guarantees the following:

1. That you will be able to lease and occupy your present space upon completion of the rehabilitation. Your monthly rent will remain in the same for at least your current lease and the next lease period. Of course, you must comply with the reasonable terms and conditions of your lease.
2. If you must move temporarily so that repairs can be completed, you will be reimbursed for your extra expenses, including the cost of moving to and from the temporary space and any additional costs. The temporary space will be decent, safe, and sanitary, and all conditions of the temporary move will be reasonable.

Since you will have the opportunity to occupy newly rehabilitated commercial space, I urge you not to move. We will make every effort to accommodate your needs. Because Federal Assistance is involved, you are protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

If you have any questions, please contact (name), (title), at (phone), (address)

. This letter is important and you should not throw it away.

Sincerely,  
(name and title)