

Dakota County CDBG Program Manual



Working to revitalize
communities
in Dakota County.

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Community Development Agency
.....

October 2004

**DAKOTA COUNTY COMMUNITY DEVELOPMENT
AGENCY (CDA)**

Community Development Block Grant
(CDBG)

**Dakota County CDBG Program
Manual**

October 2004

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Introduction

Thank you for participating in the Dakota County Community Development Agency (CDA), Community Development Block Grant (CDBG) program. The Dakota County CDA values the CDBG funded activities and community services provided by the subrecipient cities and townships, and the CDA is dedicated to help ensure compliance with CDBG regulations.

In 1971, the Minnesota legislature established the Dakota County CDA pursuant to special legislation. The CDA serves the cities and townships of Dakota County, located south of Minneapolis and St. Paul. The Dakota County CDA utilizes federal, state, and local resources to serve Dakota County residents by working to upgrade and maintain the existing housing stock, encourage the construction of new housing for low and moderate income households, promote economic development efforts and provide assistance to Dakota County communities through community development programs, and to provide low and moderate income family and senior households with decent, safe and affordable rental housing.

This Subrecipient Manual provides information for subrecipient cities and townships in Dakota County to implement activities funded by CDBG annual grants received from the U.S. Department of Housing and Urban Development (HUD) according to HUD regulations and CDBG program requirements. The CDBG program provides annual grants to develop viable urban communities, provide decent housing and a suitable living environment, and to expand economic opportunities, principally for low and moderate-income persons.

Participating subrecipient cities and townships in the Dakota County CDBG program agree to provide CDBG funded activities as outlined in the city and township Subrecipient Agreement. Subrecipient cities and townships also comply with CDBG program requirements and regulations established by HUD and the Dakota County CDA.

The Subrecipient Manual provides guidelines and information for subrecipients to understand the CDBG program requirements and implement CDBG funded activities in Dakota County. The Manual also includes an overview of the CDBG program, national objectives and eligible program activities, requirements to implement CDBG activities, the CDBG application process, HUD regulations, financial management information and other subrecipient requirements.

Federal information regarding the CDBG program can be found in the HUD website at <http://www.hud.gov/>, and in the Government Printing Office website at <http://www.gpoaccess.gov/ecfr/index.html>.

For more information regarding the Dakota County Community Development Block Grant (CDBG) program, please contact the Dakota County CDA at the following:

Dakota County Community Development Agency
1228 Town Centre Drive
Eagan, MN 55123
Phone: (651) 675-4400
Fax: (651) 675-4444
Website: www.dakotacda.org

CDBG Program Basics

In this chapter you will find information on the Community Development Block Grant (CDBG) program including:

- CDBG history and overview of requirements to receive HUD funding
- List of Dakota County CDA Districts
- Definitions of Urban Counties and Metropolitan Cities
- National Objective requirements for CDBG funded activities
- Activities Eligible for CDBG funds, and
- Activities Ineligible for CDBG funds

CDBG Program Overview

The Community Development Block Grant (CDBG) program authority began under Title I of the Housing and Community Development Act of 1974. This Act consolidated eight categorical grant programs including Open Space, Urban Renewal, Neighborhood Development Programs, Historic Preservation, Model Cities supplemental, and Neighborhood Facilities, Water and Sewer and Public Facilities loans.

The Title 1 Housing and Community Development Act of 1974 objective is to develop viable urban communities that provide decent, safe and sanitary housing, a suitable living environment and expanded economic opportunities primarily for persons of low and moderate income. The U.S. Department of Housing and Urban Development (HUD) administers the CDBG program and provides funds, or grants, to state and local governments, or grantees or recipients.

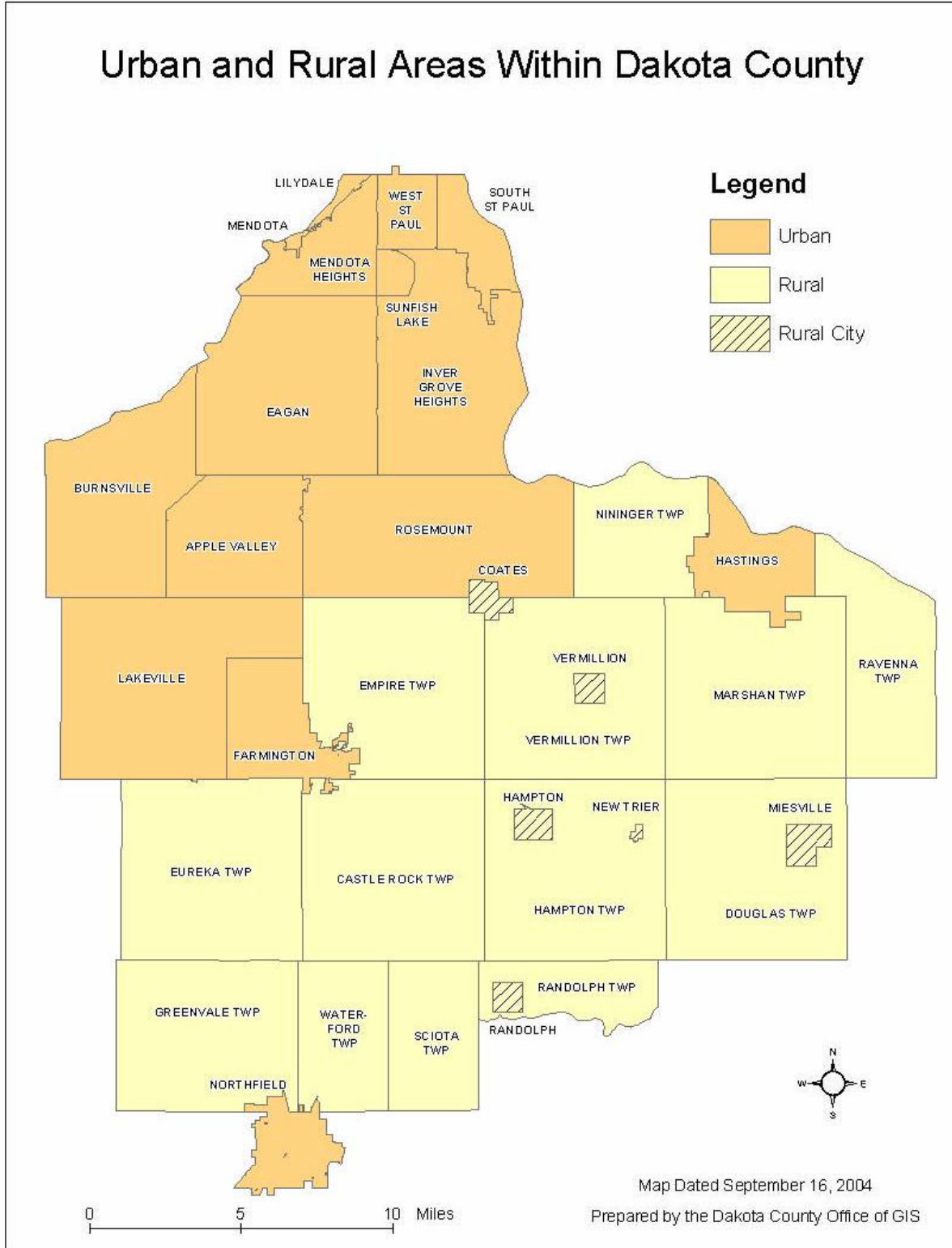
To receive eligible funds, grantees or recipients must meet the requirements established by CDBG regulations prior to funding any activity. These requirements include:

- The proposed activity meets one of the three national objectives.
- The proposed activity is an eligible activity.
- The proposed activity is not considered a clearly ineligible activity.
- The proposed activity contributes to the CDBG 70 percent minimum threshold for activity expenditures that benefit low - and moderate-income persons.¹

Dakota County participates in the CDBG program as an Entitlement County and receives funds each year directly from HUD. The Dakota County Community Development Agency (CDA) is considered a subgrantee or administrator of CDBG funds. Dakota County has several participating cities and townships that receive CDBG funds and implement CDBG activities. Participating cities and townships are located in urban and rural areas in Dakota County, as shown in Map 1-2.

¹ HUD, Office of Community Planning and Development. Basically CDBG, Chapter 1: Overview of the Program. September 1998.

Map 1-2: Dakota County Urban and Rural Areas

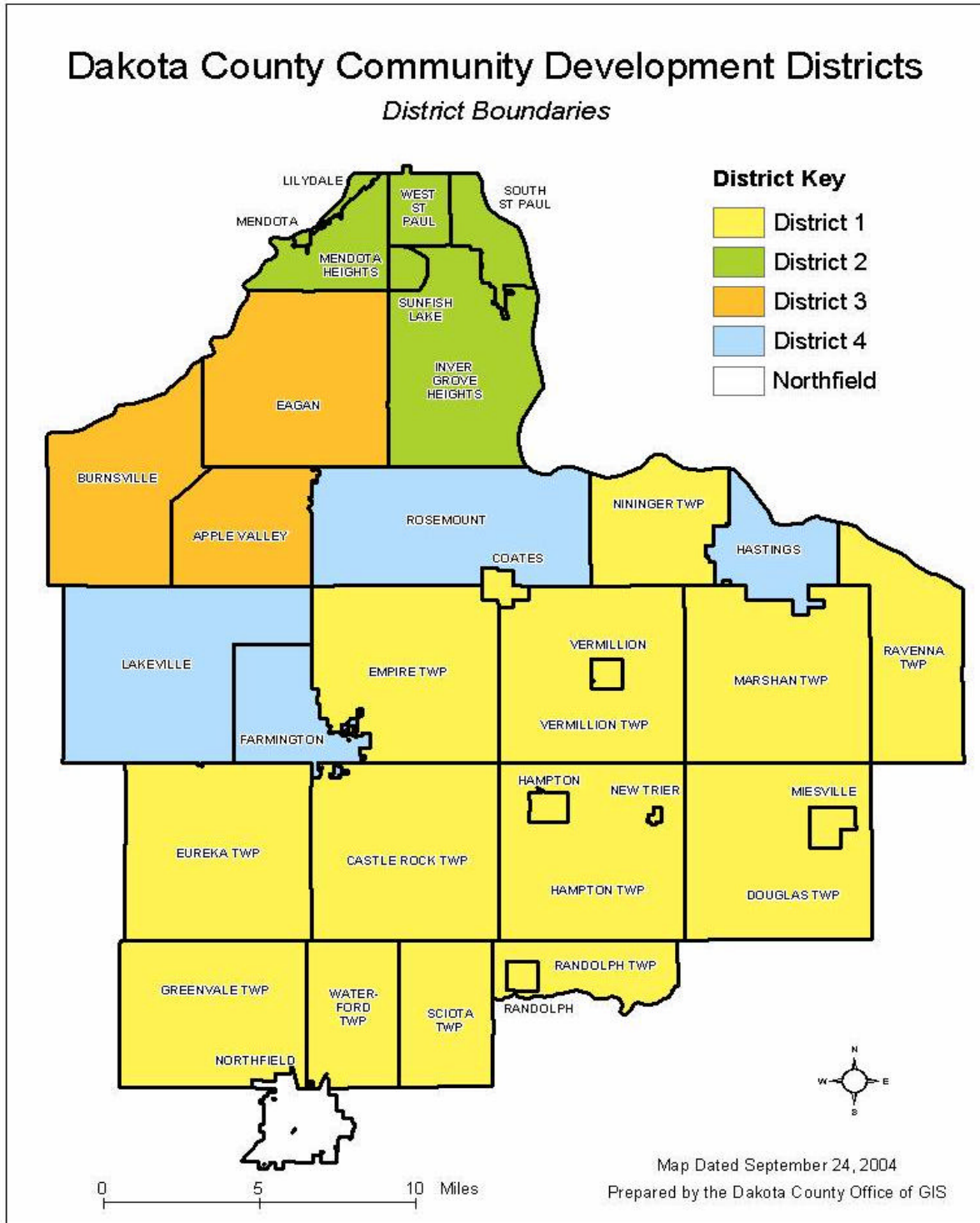


The participating cities and townships are divided into four “Community Development Districts,” as approved in the county’s 1984 CDBG Entitlement Implementation Plan. The districts are divided as follows and are shown in Map 2-2.

Table 1-2: Dakota County Community Development Districts

Dakota County Community Development Districts	
DISTRICT	CITY OR TOWNSHIP
District 1	Rural Cities and Townships
District 2	Inver Grove Heights, Lilydale, Mendota, Mendota Heights, South St. Paul, Sunfish Lake, West St. Paul
District 3	Apple Valley, Burnsville, Eagan
District 4	Farmington, Hastings, Lakeville, Rosemount
Northfield	Northfield

Map 2-2: Dakota County Community Development Districts



Urban Counties and Metropolitan Cities Definition

Metropolitan City Definition

A metropolitan city, or an entitlement city, is a city within a metropolitan area that has a population of 50,000 or more. Any unit of general local government that becomes eligible to be classified as a metropolitan city, and was not classified as a metropolitan city in the immediately preceding fiscal year, may, upon submission of written notification to HUD, defer its classification as a metropolitan city for all purposes under the Act, if it elects to have its population included in an urban county.²

Urban County Definition

A qualified urban county or entitlement county has a population of 200,000 or more (excluding the population of metropolitan cities therein). Dakota County is an entitlement county. The county has entered into a Grantee Agreement with the CDA to administer, along with subrecipient cities and townships, CDBG funded activities.

Urban County Period of Qualification

The qualification by HUD of an urban county shall remain effective for three successive Federal fiscal years regardless of changes in its population during that period. During the period of qualification, no included unit of general local government may withdraw from nor be removed from the urban county for HUD's grant computation purposes.

Urban County Grant Ineligibility of Included Units of General Local Government

An included unit of general local government cannot become eligible for an entitlement grant as a metropolitan city during the period of qualification of the urban county. A unit of general local government shall continue to be part of the urban county for the remainder of the urban county's qualification period, and no separate grant amount shall be calculated for the included unit.³

Grantee Eligibility

Central cities of Metropolitan Statistical Areas (MSAs); other metropolitan cities with populations of at least 50,000; and qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities) are entitled to receive annual grants. HUD determines entitlement grant amounts by a statutory dual formula which uses several measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas.

Grantee Requirements

To receive its annual CDBG entitlement grant, a grantee must develop and submit to HUD its Consolidated Plan, (which is a jurisdiction's comprehensive planning document and application for funding under the CDBG, HOME Investment Partnerships, and Housing

² HUD. CPD. Subpart a, 570.3 Definitions. February 26, 2001.

<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/regulations/suba/5703.cfm>

³ HUD. CPD. Community Development, Rules and Regulations, Subpart D, 570.307 Urban Counties. February 27, 2001.

<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/regulations/subd/570307.cfm>

Opportunities for Persons with AIDS (HOPWA), and Emergency Shelter Grants (ESG)). In its Consolidated Plan, the jurisdiction must identify program and housing goals. The Consolidated Plan must include several required certifications, including that not less than 70 percent of the CDBG funds received, over a one, two or three year period specified by the grantee, will be used for activities that benefit low- and moderate-income persons, and that the grantee will further fair housing.

Grantee Citizen Participation

A grantee must develop and follow a detailed plan which provides for, and encourages, citizen participation and which emphasizes participation by persons of low- or moderate-income, particularly residents of predominantly low- and moderate-income neighborhoods, slum or blighted areas, and areas in which the grantee proposes to use CDBG funds.⁴

⁴ HUD. CPD. Community Development Block Grant Entitlement Communities Overview. February 20, 2004. <http://www.hud.gov/offices/cpd/communitydevelopment/programs/entitlement/index.cfm>

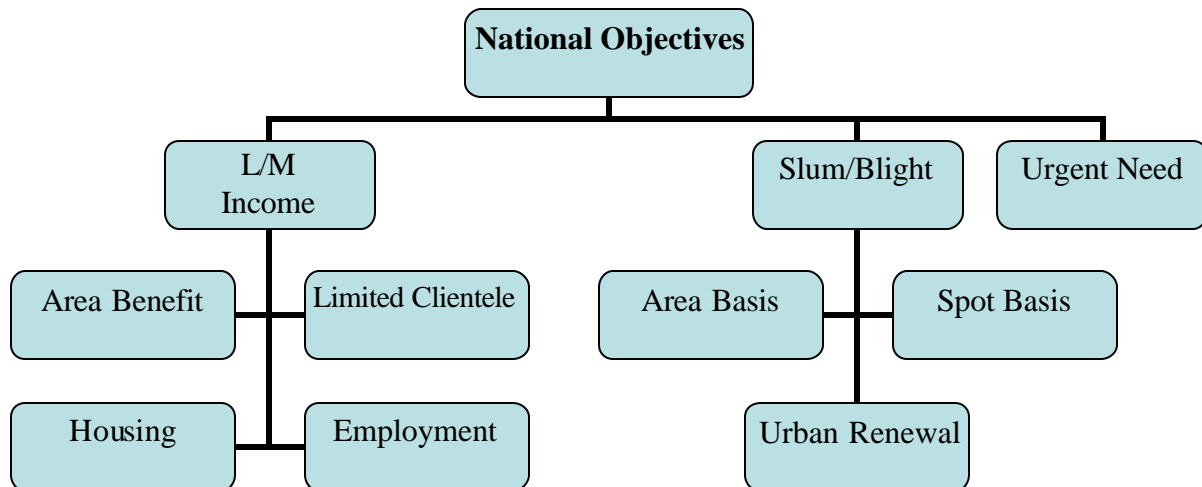
National Objectives

Meeting a National Objective

Every CDBG-funded activity must qualify as meeting one of HUD's three national objectives (with the exception of administration and planning). The criteria to determine whether a CDBG-assisted activity complies with one or more of the national objectives are listed under Subpart C, 570.208. The three national objectives include:

- Benefiting low- and moderate-income (L/M) persons,
- Preventing or eliminating slums and blight, or
- Meeting urgent community development needs.

Figure 1-2: National Objectives



CDBG spending must also meet HUD's "overall benefit" requirements, including:

1. At least 70 percent of grant funds must be used for activities principally benefiting L/M income persons.
2. No more than 15 percent of grant funds can be used for Public Service activities.
3. No more than 20 percent of grant funds can be used for Planning and/or Admin.

The following Table 2-2 is a calculation example of entitlement grant funds subject to the following requirements: 70 percent of grant funds must be used to principally benefit L/M income persons; no more than 15 percent of grant funds can be used for public service activities; and no more than 20 percent of grant funds can be used for planning and or administration.

Table 2-2: Low and Moderate (L/M) Income Persons Calculation Example

L/M Income Persons Calculation Example	
Total entitlement grant amount	\$1,000,000
LESS max. planning and admin (20 percent)	(\$200,000)
EQUALS amount subject to L/M calculation	\$800,000
MULTIPLIED by 70 percent	x0.70
EQUALS minimum to benefit L/M	\$560,000
Amount subject to L/M calculation	\$800,000
LESS L/M minimum	(\$560,000)
EQUALS maximum slum/blight and urgent needs	\$240,000

*HUD – Office of Community Planning and Development. *Basically CDBG*. September 1998.

Benefiting Low and Moderate (L/M) Income Persons

L/M Income Persons' Definition

A L/M person is defined as a family or individual whose income is not more than 80 percent of the median income of an area (Twin Cities metropolitan area). This median income figure is determined by HUD based on a 4-person family and is adjusted up or down for larger/smaller families. The median income of the Twin Cities Metropolitan Area is higher than the national median income, therefore, HUD “caps” income limits. In other words, the 80 percent L/M income threshold is not a true 80 percent of the Twin Cities area median income. The adjusted income limits by household size in Dakota County is found in Table 3-2, Appendix B of this manual.

The criteria for how a CDBG-funded activity may be considered to benefit L/M income persons are divided into four subcategories:

- Those based on “Area Benefit,”
- Those serving a “Limited Clientele,”
- Those involving “Housing,” and
- Those involving “Employment” (jobs).

L/M Income Area Benefit

An activity that meets the L/M Income national objective on an area basis must demonstrate that it is available to all the residents in a primary residential area. At least 51 percent of the residents in that area must be L/M income persons. The area served by an activity must be clearly defined by survey, or by census information can document compliance with the 51 percent test. HUD has pre-determined which 2000 Census Blocks meet this test.

Typical Area Benefit Activities

Street Improvements,
Water and Sewer Lines,
Neighborhood Facilities

L/M Income Limited Clientele

An activity that meets the L/M Income national objective on a limited clientele basis must provide benefits to a specific population of whom at least 51 percent are L/M income persons. An activity under Limited Clientele must meet one of the following:

1. The clientele are “presumed” by HUD to be L/M income persons, including abused children, elderly persons, battered spouses, homeless persons, severely disabled adults, illiterate adults, persons with AIDS, and migrant farm workers.
2. The clientele demonstrates, based on information showing family size and income, that at least 51 percent are L/M income persons.
3. The clientele can demonstrate that by such nature or location, the activity primarily benefits L/M income persons (i.e., daycare center within a public housing complex).
4. The activity serves to remove architectural barriers to the mobility or accessibility of elderly persons or of severely disabled adults.

Typical Limited Clientele Activities

Construction of a Senior Center,
Public Services to L/M income persons,
Meals on Wheels for the Elderly

L/M Income Housing

An activity that meets the L/M Income national objective on a housing basis must demonstrate that the housing is occupied by L/M income persons. If more than a single unit structure, at least 51 percent of the households must be L/M income persons (the single unit household must be L/M income).

Note: CDBG funds cannot be used for new construction, but it can be used for land acquisition with new construction projects.

Typical Housing Activities

Housing Rehabilitation,
Hookups to Connect Houses to Water and Sewer,
Acquisition of Property for New Housing

L/M Income Employment

An activity that meets the L/M Income national objective based on employment must demonstrate that permanent jobs are created or retained. At least 51 percent of those jobs, on a FTE basis, must be either held by or available to L/M income persons.

A job is to be “held by” a L/M income person if the person is, at the time their employment commences, a member of a L/M income family. A job is “available to” a L/M income person only when: (1) the jobs do not require special skills nor require education beyond high school, and (2) the business takes actions to ensure that L/M income persons receive first consideration for filling such jobs.

Typical Employment Activities

Construction of a Business Incubator,
Loans to Finance a Business Expansion,
Installation of Water and Sewer to an Industrial Site

Preventing or Eliminating Slums and Blight

The criteria for how a CDBG-funded activity may qualify for the Preventing or Eliminating Slums and Blight national objective are divided into three subcategories:

- To prevent or eliminate slums and blight on an “Area Basis,”
- To prevent and eliminate slums and blight on a “Spot Basis,” or
- To be located in an “Urban Renewal Area.”

Elimination of Slums and Blight Area Basis

An activity that meets the elimination of slums and blight national objective on an area basis must demonstrate that the activity aids in the prevention or elimination of slums or blight in a designated area. An activity under an area basis must meet all of the following:

1. The delineated area must meet a definition of slum, blighted, deteriorated or deteriorating area under state or local law.
2. There also must be a substantial number of deteriorated or deteriorating buildings or public improvements in the area, and the activity must address one or more of the conditions which contributed to the deterioration of the area.
3. Documentation must be maintained by the recipient on the boundaries of the area and the conditions that qualified the area at the time of its designation.

Typical Area Basis Activities

Assistance to Commercial or Industrial Businesses,
Public Facilities or Improvements,
Code Enforcement

Note: When undertaking residential rehab in a slum/blight area, the building must be considered substandard under local definition and all deficiencies making the building substandard must be eliminated before less critical work is undertaken.

Elimination of Slums and Blight Spot Basis

An activity that meets the elimination of slums and blight national objective on a spot basis must demonstrate that activities which to eliminate specific conditions of blight or physical decay are not located in a slum or blighted area. An activity under a spot basis must comply with one of the following:

1. Only acquisition, clearance, relocation, historic preservation and building rehabilitation activities qualify for this national objective.
2. Rehabilitation is limited to the extent necessary to eliminate a specific condition detrimental to public health and safety.

Typical Spot Basis Activities

Elimination of Faulty Wiring, Falling Plaster or Other Similar Conditions,
Historic Preservation of a Public Facility,
Demolition of a Vacant, Deteriorated Building

Elimination of Slums and Blight Urban Renewal Area

An activity that meets the elimination of slums and blight national objective in an Urban Renewal area are activities that are (1) located within an Urban Renewal project area or Neighborhood Development Program (NPD) action area, and (2) which are necessary to complete an Urban Renewal Plan. A copy of the Urban Renewal Plan in effect at the time the CDBG activity is carried out, including maps and supporting documentation must be maintained for record-keeping purposes.

Meeting Urgent Community Development Needs

Meeting the urgent community development needs national objective is designed for activities that alleviate emergency conditions. Use of this category is rare. The criteria for how a CDBG-funded activity may be considered an urgent community development need are as follows:

- The existing conditions must pose a serious and immediate threat to the health or welfare of the community.

- The existing conditions are of recent origin or recently became urgent (generally, within the past 10 months).
- The recipient is unable to finance the activity on its own.
- Other sources of funding are not available.⁵

Typical Urgent Need Activities

A Tornado Severely Damages Structures Which Pose Danger to
Neighboring Occupants

⁵ HUD, Office of Community Planning and Development. Basically CDBG, Chapter 1: Overview of the Program. September 1998.

Eligible Requirements

Basic eligible activities funded through Community Development Block Grant (CDBG) funds are listed under Subpart C, 570.201. CDBG funds may be used for the following activities:

Table 4-2: CDBG Eligible Activity Categories

CDBG Eligible Activities Related to:				
Real Property				
Acquisition	Disposition	Public Facilities & Improvements	Clearance & Demolition	Interim Assistance
Urban Renewal	HOME Program Activities	Privately-owned utilities	Housing Construction	Homeownership Assistance
Rehabilitation	Code Enforcement	Historic Preservation	Renovation of Closed Buildings	Lead Paint Testing & Abatement
Economic Development				
Microenterprise		Special Economic Development Activities		
Public Services				
Employment Training & Services	Health Care & Substance Abuse Services	Child Care	Crime Prevention	Fair Housing Counseling
Other Activities				
Payment of Non-Federal Grants	Relocation Assistance	Loss of Rental Income	Technical Assistance	Assistance to Higher Ed. for Eligible Activities
Planning and Administration				
Comprehensive Plans	Community Development Plans	Functional and Other Plans	Policy-planning & Capacity Building	Program Admin. Costs

*HUD – Office of Community Planning and Development. *Basically CDBG*. September 1998.

Definitions of Eligible Activities

Acquisition

Acquisition occurs in whole or in part by any public or private nonprofit entity. The purchase, long-term lease, donation, or otherwise, of real property (including air rights, water rights, rights-of-way, easements, and other interests therein) for any public purpose, is subject to the limitations of 570.207.

Disposition

Disposition, through sale, lease, donation, or otherwise, of any real property acquired with CDBG funds. Disposition includes reasonable costs of temporarily managing such property. The proceeds from any such disposition shall be program income subject to the requirements set forth in 570.504.

Public Facilities and Improvements

Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements, except as provided in 570.207(a), carried out by the recipient or other public or private nonprofit entities. (However, activities under this paragraph may be directed to the removal of material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to public facilities and improvements, including those provided for in 570.207(a)(1).) Facilities designed for use in providing shelter for persons having special needs are considered public facilities and not subject to the prohibition of new housing construction described in 570.207(b)(3).

Clearance Activities

Activities include clearance, demolition, and removal of buildings and improvements, including movement of structures to other sites. Demolition of HUD-assisted housing units may be undertaken only with the prior approval of HUD. Under this category, CDBG funds may also be used for the removal of environmental contaminants or treatment of such contaminants to render them harmless.

Public Services

Provision of public services (including labor, supplies, and materials) including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, fair housing counseling, energy conservation, welfare (but excluding the provision of income payments identified under 570.207(b)(4)), homebuyer down payment assistance, or recreational needs. To be eligible for CDBG assistance, a public service must be either a new service or a quantifiable increase in the level of an existing service above that which has been provided by or on behalf of the unit of general local government (through funds raised by the unit or received by the unit from the State in which it is located) in the 12 calendar months before the submission of the action plan.

Interim Assistance

The following activities may be undertaken on an interim basis in areas exhibiting objectively determinable signs of physical deterioration where the recipient has determined that immediate action is necessary to arrest the deterioration and that permanent improvements will be carried out as soon as practicable:

- I. The repairing of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings; and
- II. The execution of special garbage, trash, and debris removal, including neighborhood cleanup campaigns, but not the regular curbside collection of garbage or trash in an area.

Payment of Non-Federal Share

Payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of CDBG activities, provided, that such payment shall be limited to activities otherwise eligible and in compliance with applicable requirements.

Urban Renewal Completion

Payment of the cost of completing an urban renewal project funded under Title I of the Housing Act of 1949 as amended.

Relocation

Relocation payments and other assistance for permanently and temporarily relocated individuals, families, businesses, nonprofit organizations, and farm operations where the assistance is:

- I. Required under the provisions of 570.606(b) or (c); or
- II. Determined by the grantee to be appropriate under the provisions of 570.606(d).

Loss of Rental Income

Payments to housing owners for losses of rental income incurred in holding, for temporary periods, housing units to be used for the relocation of individuals and families displaced by program activities assisted under this part.

Housing Services

Housing counseling in connection with tenant-based rental assistance and affordable housing projects including energy auditing, preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and other services related to assisting owners, tenants, contractors, and other entities participating or seeking to participate in housing activities assisted under Title II of the Cranston-Gonzalez National Affordable Housing Act.

Privately Owned Utilities

CDBG funds may be used to acquire, construct, reconstruct, rehabilitate, or install the distribution lines and facilities of privately owned utilities, including the placing underground of new or existing distribution facilities and lines.

Construction of Housing

CDBG funds may only be used in certain specified circumstances to finance the construction of new permanent residential structures. CDBG funds may be used to construct housing of last resort as suitable replacement housing, subject to the Uniform Act. In addition, CDBG may be used by a qualified Community Based Development Organization (CBDO) to construct new housing within a duly designated geographic area for purposes of neighborhood revitalization.

Homeownership Assistance

CDBG funds may be used to provide direct homeownership assistance to low- or moderate-income households in accordance with section 105(a) of the Act.

Microenterprise Assistance

The provision of assistance either through the recipient directly or through public and private organizations, agencies, and other subrecipients (including nonprofit and for-profit subrecipients) to facilitate economic development by:

- I. Providing credit, including, but not limited to, grants, loans, loan guarantees, and other forms of financial support, for the establishment, stabilization, and expansion of microenterprises;
- II. Providing technical assistance, advice, and business support services to owners of microenterprises and persons developing microenterprises; and
- III. Providing general support, including, but not limited to, peer support programs, counseling, child care, transportation, and other similar services, to owners of microenterprises and persons developing microenterprises.

Technical Assistance

Provision of technical assistance to public or nonprofit entities to increase the capacity of such entities to carry out eligible neighborhood revitalization or economic development activities. Capacity building for private or public entities (including grantees) for other purposes may be eligible under 570.205.

Assistance to Institutions of Higher Education

Provision of assistance by the recipient to institutions of higher education when the grantee determines that such an institution has demonstrated a capacity to carry out eligible activities.⁶

Planning

Planning and capacity-building activities are generally eligible. These can include strategies and action programs to implement plans, including the development of codes, ordinances, and regulations. Plans that help the City determine its needs, set long- and short-term goals and objectives, devise programs to meet the objectives, and evaluate the progress of these programs are also eligible. Planning activities should result in the production of a document, such as an adopted City Housing Maintenance code. Planning activities do not include the actual costs of putting a plan into action; for example, the legal costs associated with enforcement of a Housing Maintenance Code would not be eligible as the cost of a planning activity.

⁶ HUD. CPD. Community Development, Rules and Regulations, Subpart C, 570.201 Basic Eligible Activities. February 26, 2001.
<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/regulations/subc/570201.cfm>

Ineligible Activities

Any activity that is not authorized under the provisions of Subpart C, 570.201 to 570.206 is ineligible to be assisted with CDBG funds. This section identifies specific activities that are ineligible and provides guidance in determining the eligibility of other activities frequently associated with housing and community development. The following table lists the types of ineligible CDBG funded activities.

Table 5-2: CDBG Ineligible Activity Categories

CDBG Ineligible Activities	
Activities Not Assisted with CDBG Funds	Activities Not Assisted with CDBG funds Unless Authorized
Buildings for the general conduct of government	Purchase of fire protection or construction equipment, furnishings and personal property
General government expenses	Operating and maintenance expenses
Political activities	
New housing construction	
Income payments	

The following activities may not be assisted with CDBG funds:

Buildings or Portions Thereof

Buildings or portions thereof, used for the general conduct of government as defined at 570.3(d) cannot be assisted with CDBG funds. This does not include, however, the removal of architectural barriers under 570.201(c) involving any such building. Also, where acquisition of real property includes an existing improvement which is to be used for the general conduct of government, the portion of the acquisition cost attributable to the land is eligible, provided such acquisition meets a national objective described in 570.208.

General Government Expenses

Expenses required to carry out the regular responsibilities of local government are not eligible for assistance with CDBG funds, except as specifically authorized under OMB Circular A-87.

Political Activities

CDBG funds shall not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration. However, a facility originally assisted with CDBG funds may be used on an incidental basis to hold political meetings, candidate forums, or voter

registration campaigns, provided that all parties and organizations have access to the facility on an equal basis, and are assessed equal rent or use charges, if any.

The following activities may not be assisted with CDBG funds unless authorized under provisions of 570.203 or unless otherwise specifically noted or when carried out by an entity under the provisions of 570.204.

Purchase of Equipment

The purchase of construction equipment, furnishings and personal property with CDBG funds is generally ineligible. The purchase of construction equipment is ineligible, but compensation for the use of such equipment through leasing, depreciation, or use allowances pursuant to OMB Circulars A-21, A-87 or A-122 as applicable for an otherwise eligible activity is an eligible use of CDBG funds. However, the purchase of construction equipment for use as part of a solid waste disposal facility is eligible under 570.201(c). Fire protection equipment is considered to be an integral part of a public facility and thus, purchase of such equipment would be eligible under 570.201(c).

Operating and Maintenance Expenses

The general rule is that any expense associated with repairing, operating or maintaining public facilities, improvements and services is ineligible. Specific exceptions to this general rule are operating and maintenance expenses associated with public service activities, interim assistance, and office space for program staff employed in carrying out the CDBG program. For example, the use of CDBG funds to pay the allocable costs of operating and maintaining a facility used in providing a public service would be eligible under 570.201(e), even if no other costs of providing such a service are assisted with such funds.

New Housing Construction

For the purpose of this paragraph, activities in support of the development of low- or moderate-income housing including clearance, site assemblage, provision of site improvements and provision of public improvements and certain housing pre-construction costs set forth in 570.206(g), are not considered as activities to subsidize or assist new residential construction. CDBG funds may not be used for the construction of new permanent residential structures or for any program to subsidize or assist such new construction, with some exceptions noted in 570.207(b) (3).

Income Payments

The general rule is that CDBG funds may not be used for income payments. For purposes of the CDBG program, "income payments" means a series of subsistence-type grant payments made to an individual or family for items such as food, clothing, housing (rent or mortgage), or utilities, but excludes emergency grant payments made over a period of up to three consecutive months to the provider of such items or services on behalf of an individual or family.⁷ Using CDBG for relocation assistance is not considered to be income payments under this definition.

⁷ HUD. CPD. Community Development, Rules and Regulations, Subpart C, 570.207 Ineligible Activities. February 26, 2001.
<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/regulations/subc/570207.cfm>

CDBG Process Timeline

Table 1-3: Dakota County Community Development Agency CDBG Process Timeline

Dakota County CDA CDBG Process Timeline	
DATE	ACTION
July 1	Start of Program Year
July	HUD's Release of Funds
August	Complete Subrecipient Agreements
October 1	Start of Federal Fiscal Year
October	Annual CDBG Training, Including Applications for Next Program Year
November 1	6 Months Before May 1 Timeliness Deadline
November 30	Public Services Request Deadline
December 31	Application Deadline
January 1	4 Months Before May 1 Timeliness Deadline
Dakota County CDA and County Board Application Review	
January 31	CDA Completes Review of Applications
February	Allocation Process Completed Based on District Meetings
February 1	3 Months Before May 1 Timeliness Deadline
March	Consortium Public Hearing
April	Dakota County Board Committee
May 1	Timeliness Deadline
May	Dakota County Board Public Hearing
May	Annual Plan Submission to HUD
June	Annual Plan Approved by HUD

Allocation Process

In this chapter you will find information on the Dakota County implementation process and plan to implement CDBG funded activities, including:

- History and overview of the Allocation Plan
- CDBG funding allocation in the county from 1985 to 2000
- Dakota County CDBG Allocation Formula example
- Annual Allocation Plan Summary including examples of allocation by Dakota County CDBG districts and the State of Minnesota

Implementation Plan

Dakota County CDBG Implementation Plan

On January 24, 1984 the Dakota County Board of Commissioners requested the U.S. Department of Housing and Urban Development (HUD) to certify it as an Entitlement Urban County. In anticipation of this designation, the board established a task force to prepare an implementation plan for the CDBG program funds.

On March 27, 1984 the County Board adopted the recommendations of the Community Development Task Force including the following:

- CDBG funds will be divided into two pools, one set aside for community projects and the other for general administration and countywide projects.
- The county shall retain between 20-25 percent of the grant award to include approximately 10 percent for administration and 10-15 percent for countywide projects. The precise amounts shall vary each year, depending upon the program needs.
- Funds set aside for community projects will be allocated through four districts based on HUD's formula (i.e., the proportion of funds each community contributes to the county's total entitlement allocation).
- Each district shall form a committee to review and rank projects submitted from the corresponding district communities. The communities within each district will determine the composition of their committee.
- Each district shall establish its own rules and guidelines including priorities for reviewing and prioritizing project proposals.
- Only cities and townships are allowed to submit applications for CDBG funds allocated to a district. Non-profit organizations and other units of local government may make proposals to a city or township, and then be included in that application.

The total CDBG allocation in 1984 was \$1,336,000 compared to \$2,058,000 in 2004, which represents an average annual increase of only 2.7 percent. The Dakota County CDBG allocation had an average annual increase of 0.2 percent between 1994 and 2004. The program funding varies substantially based on the annual federal budgeting process, which can be seen by the following five-year increments in Table 1-4:

Table 1-4: Dakota County CDBG Program Funding from 1985 to 2000

Dakota County CDBG Program Funding from 1985 to 2000		
YEAR	AMOUNT	CHANGE
1985	\$1,351,000	
1990	\$1,254,000	- \$ 97,000
1995	\$2,088,000	+ \$834,000
2000	\$2,028,000	- \$ 60,000

ALLOCATION PROCESS

Table 2-4 is an example of the Dakota County CDBG Allocation Formula using fiscal year 2004 actual allocation.

Table 2-4: Dakota County CDBG Allocation Formula Example for Fiscal Year 2004

Dakota County CDBG Allocation Formula Example for Fiscal Year 2004		
Total Allocation	\$2,058,000	
General Administration	- \$246,960	12% x total allocation
Countywide activities	- \$195,860	10% x (total – Northfield's allocation)
Northfield allocation	- \$99,390	HUD's formula % for Nfld. x (total – administration)
Balance for 4 districts	\$1,515,790	
District Allocation		
District 1	\$54,655	HUD's formula = 3.6% of the balance
District 2	\$399,475	HUD's formula = 26.3% of the balance
District 3	\$730,360	HUD's formula = 48.2% of the balance
District 4	\$331,300	HUD's formula = 21.9% of the balance

Annual Action Plan Summary

Each year, the Dakota County CDA summarizes the Annual Action Plan allocations for the CDBG and Home Investment Partnerships (HOME) Programs. The Annual Action Plan Summary provides total dollar amount and percent allocation to the CDBG and HOME programs. The 2004 Dakota County Annual Action Plan Summary for CDBG Programs is found in Table 3-4, Appendix C of this manual. The following charts show the allocation for Minnesota CDBG programs and three year comparisons of CDBG allocations by the four Dakota County districts.

Chart 1-4 show the HUD allocation of 2004 CDBG funds to the Minnesota State Small Cities Program, Entitlement Cities and Entitlement Counties. Entitlement cities include Bloomington, Coon Rapids, Duluth, Minneapolis, Moorhead, Plymouth, Rochester, St. Cloud and Saint Paul. Entitlement counties include Anoka, Dakota, Hennepin, Ramsey, St. Louis and Washington.

Chart 1-4: Fiscal Year 2004 Minnesota CDBG Allocation

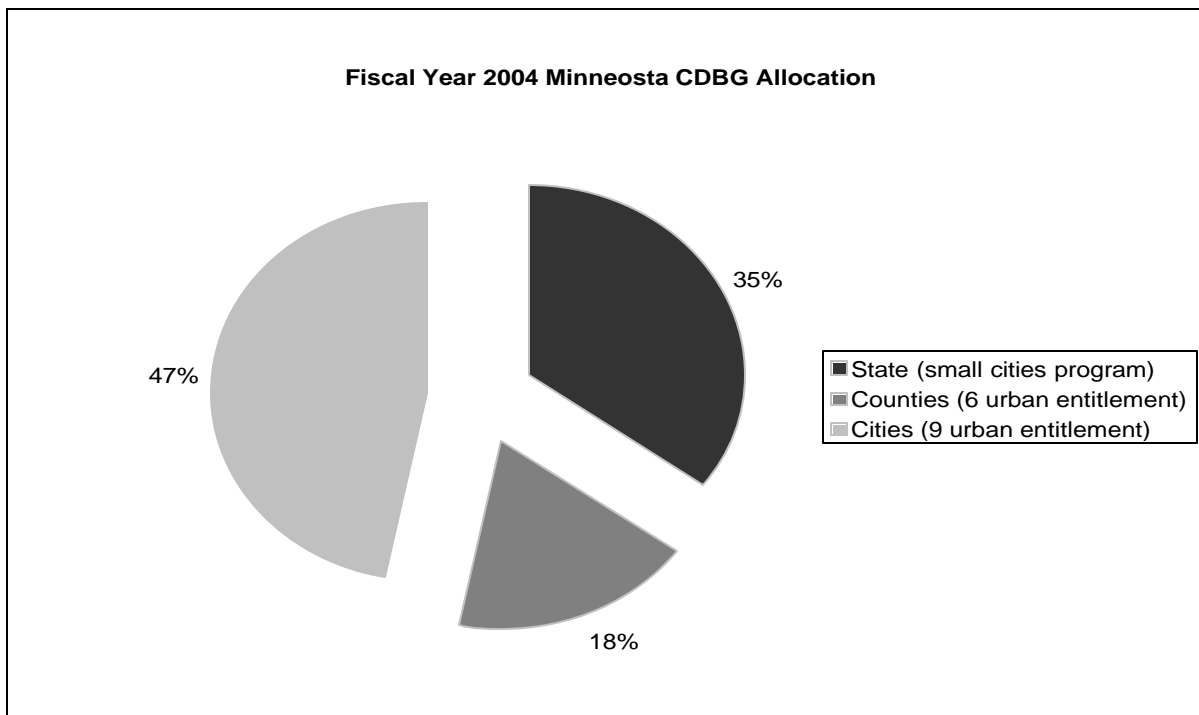
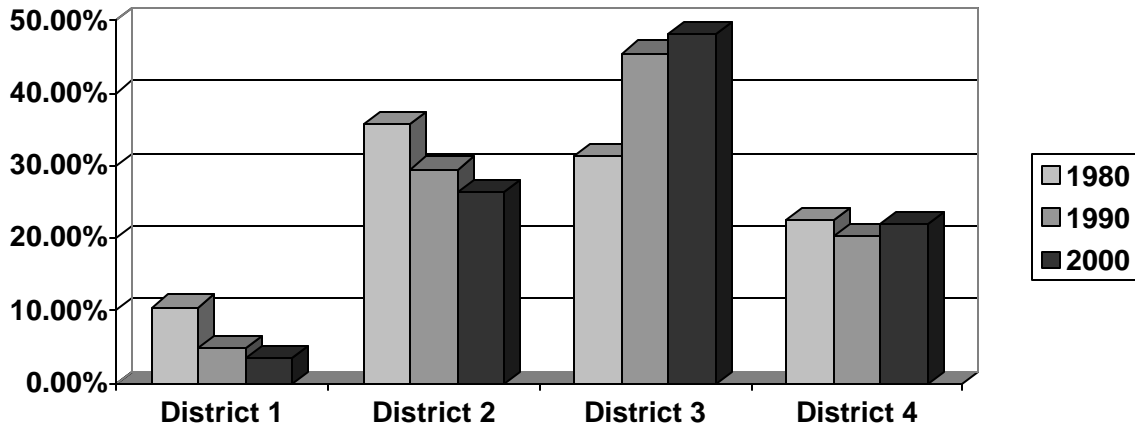


Chart 2-4 describes the allocation of CDBG funds in the Dakota County districts from the period of 1980 to 2000. Since population is one of three factors within HUD's allocation formula, locations with population growth have seen increasing CDBG funding. Chart 2-4 shows that the decreasing population of the inner ring communities of District 2 resulted in less funding from 1980-2000 compared to more funding in the growth communities located in District 3.

Chart 2-4: Fiscal Year Allocation by Dakota County District for Years 1980, 1990 and 2000



Application Process

In this chapter you will find information on the Dakota County CDA Application Process to receive funds to implement CDBG activities, including:

- Key dates to meet HUD and Dakota County deadlines
- Seven steps to select CDBG funded activities
- Review of the Dakota County CDA Consolidated Plan, and
- List of the prioritized needs in Dakota County

This chapter describes the application process for Community Development Block Grant Funds. The application form incorporates the priority needs that have been included in the 5-year Consolidated Plan, which is the basic guideline that we must use for the CDBG and HOME Programs. Please review applications carefully and complete all applicable sections. The application form (as a Word Document) is also available on-line at www.dakotacda.org/communitydev.html. For further assistance, please contact:

- Dan Rogness, 651-675-4464, drogness@dakotacda.state.mn.us
- Jill Hutmacher, 651-675-4467, jhutmacher@dakotacda.state.mn.us
- Stephanie Newburg, 651-675-4466, snewburg@dakotacda.state.mn.us

Key Dates

In order to meet HUD and county deadlines for the approval process, it is very important that all applications be returned to the CDA by the due date of December 31. This will allow time to review applications and address any questions or concerns prior to the final application submission to HUD. If public service activities are proposed, the CDA encourages applicants to submit those activity budgets by November 30 in order for the CDA to determine whether the county will meet the 15 percent maximum threshold.

The key dates to complete the Dakota County CDA Application for Community Development Block Grant Funds are listed as follows in Table 1-5:

Table 1-5: Dakota County CDA Application for CDBG Funds Key Dates

Dakota County Community Development Agency (CDA) CDBG Application Key Dates	
July 1	Start of Program Year
August	Complete Subrecipient Agreements
October	Annual CDBG Training, Including Applications for Next Program Year
November 30	Public Services Request Deadline
December 31	Application Deadline
January 31	CDA Completes Review of Applications
February	Allocation Process Completed Based on District Meetings
May	Dakota County Board Public Hearing
May	Annual Plan Submission to HUD
June	Annual Plan Approved by HUD

Steps to Select CDBG Funded Activities

The Dakota County CDA reviews the applications for CDBG funds by January 31 of each year. The Dakota County CDA selects CDBG funded activities based on seven steps. The steps to assist subrecipients to choose appropriate CDBG funded activities are listed in Table 2-5:

Table 2-5: Steps to Select CDBG Funded Activities in Dakota County

Steps to Select CDBG Funded Activities	
STEPS	REQUIREMENTS/ACTION
STEP 1: Is the proposed activity listed as eligible in the CDBG Program?	Acquisition, clearance, etc. (Refer to Table 4-2)
STEP 2: Check to see if the proposed activity is listed as “ineligible.”	Buildings for the conduct of government, etc. (Refer to Table 5-2)
STEP 3: Can the proposed activity meet one of the three national objectives?	Low/Mod Income Slums/Blight Urgent Need
STEP 4: Will the proposed activities help meet 70% as being Low/Mod?	Each community must demonstrate that at least 50% of expenditures have L/M benefit.
STEP 5: Will the proposed activities help limit to 15% as public services?	Each community must limit public services to 45%, subject to further reductions.
STEP 6: Will the proposed activity meet the cost principles of HUD?	Allowable costs are identifies in OMB Circular A-87. (Refer to website: http://www.codetalk.fed.us//PDFs/a-87.pdf)
STEP 7: An environmental review and clearance must be done before releasing funds.	The CDA must complete this process and obtain a “Release of Funds” from HUD. ¹

¹ HUD. CPD. Community Development Block Grant Program, Guide to National Objectives & Eligible Activities for Entitlement Communities.

Form 1-5 is used to determine whether an activity falls under one of the national objectives.

Form 1-5: Determination of CDBG National Objective Form

Determination of CDBG National Objective

Activity Name: _____ **Program Year:** _____

Check Activity	Activity	Circle National Objective	Documentation Required	Note Documentation in File
	Acquisition Relocation Clearance	LMA	Census Data <u>OR</u> HUD-approved survey of beneficiary area	
		SBA	Adopted redevelopment or revitalization plan including boundaries and conditions of area at time of adoption	
		SBS	Identification of code deficiencies to be corrected by activity (i.e., letter from city bldg inspector)	
		LMJ	See LMJ Checklist	
		LMH	Income Verification Form	
	Rehab – Housing	LMH	Income Verification Form	
	Rehab – Commercial	SBA	Adopted redevelopment or revitalization plan including boundaries and conditions of area at time of adoption	
		SBS	Identification of code deficiencies to be corrected by activity (i.e., letter from city bldg inspector)	
		LMJ	See LMJ Checklist	
	Public Facilities	LMA	Census Data <u>OR</u> HUD-approved survey of beneficiary area	
		LMH	Income Verification Form	
		LMC	Eligibility requirements limiting activity to LMI or presumed benefit persons <u>OR</u> income verification that 51% of beneficiaries are LMI	
	Public Services	LMA	Census Data <u>OR</u> HUD-approved survey of beneficiary area	
		LMC	Eligibility requirements limiting activity to LMI or presumed benefit persons <u>OR</u> income verification that 51% of beneficiaries are LMI	

This chart lists the most common activities and the likely national objectives for those activities. Please consult appropriate HUD regulations for activities not listed here.

National Objective Codes (Most Common)

LMA	Low/Moderate Income Area Basis
SBA	Slum/Blight Area
LMC	Low/Moderate Limited Clientele
SBS	Slum/Blight Spot Basis
LMH	Low/Moderate Housing
LMJ	Low/Moderate Jobs

Consolidated Plan

The Dakota County CDA is the lead agency of the Dakota County Consortium, which includes four entitlement counties (Anoka, Dakota, Ramsey and Washington County). Each county in the Dakota County Consortium develops individual 5-Year Consolidated Plans every four years to provide clear and specific housing information and needs for the consortium counties.

The Dakota County Consortium 5-Year Consolidated Plan (Dakota County section only) for Fiscal Years 2000 – 2004 provides an assessment of housing, homelessness, and a housing and market analysis in the county; an annual action plan for each fiscal year from 2000 to 2004; an affordability criteria in the year 2000; and a list of prioritized needs for 2000 – 2004. The Annual Action Plan section of the Consolidated Plan is listed in Chapter 4, Allocation Process, and the prioritized needs section of the Consolidated Plan as follows.

Prioritized Needs

The prioritized needs in Dakota County are based on the County's 2000-2004 Consolidated Plan for HUD Funding Programs. The priority needs for Dakota County are divided into two general categories, housing and community development, and are classified as high, medium and low. HUD requires local program administrators to fund only those activities at the high and medium levels. The following lists the types of priority housing and community development needs in which CDBG funds are allocated to in Dakota County. The priority housing needs in Dakota County in 2000 – 2004 are also summarized in Table 3-5, Dakota County Priority Needs Summary in 2000 to 2004, in Appendix D. The 2005 – 2009 Consolidated Plan and corresponding prioritized needs will be completed by Mid-May of 2005.

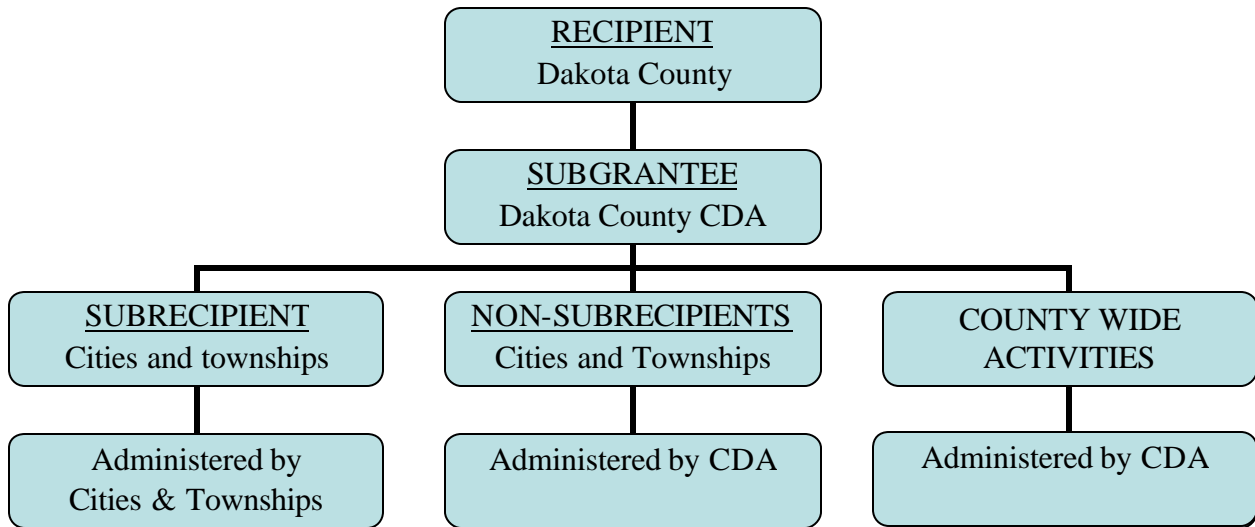
Subrecipient Agreements

In this chapter you will find information on the Dakota County CDA Subrecipient Agreements, including:

- Structure of how CDBG funds are administered by recipients in Dakota County, and
- An overview of Faith-Based Initiatives and CDBG program requirements
- Conflict of Interest Prohibition information

HUD provides and administers annual grants on a formula basis to entitlement counties, Metropolitan Statistical Areas (MSA's) and metropolitan cities. The entitlement counties and cities develop individual CDBG programs and funding priorities. CDBG program activities are directly administered by entitlement counties and cities, or by the subrecipients of entitlement counties and cities.

Figure 1-6: Dakota County and HUD CDBG Program Recipient Structure



The CDBG annual grants are distributed from HUD directly to Dakota County, the recipient. The Dakota County CDA, the grantee, implements CDBG program administration. Subrecipient cities and townships implement CDBG activities directly, which requires the cities and townships to sign and enter into a Subrecipient Agreement. The CDA directly administers CDBG activities for cities and townships that are not subrecipients. Non-subrecipient cities and townships are not required to sign and enter into a Subrecipient Agreement, but rather a Letter of Understanding. Other countywide CDBG activities, such as rehab, are administered directly by the Dakota County CDA.

The subrecipient agreement remains in effect during any period that the subrecipient has control over CDBG funds, including program income. The subrecipient agreement also ensures timeliness of CDBG fund expenditures.^{1,2}

Faith-Based and Community Initiatives

Overview

Executive Order 13279, entitled “Equal Protection of the Laws for Faith-Based and Community Organizations,” establishes fundamental principles and policymaking criteria to guide federal agencies in formulating and developing policies that have implications for faith-based and community organizations and to ensure the equal protection of the laws for these organizations in federally assisted social service programs. Title VII of the 1964 Civil Rights Act and the HUD final rule on Equal Participation of Faith-Based Organizations allow faith-based organizations to maintain their religious liberty and preserve hiring rights while receiving federal funds for CDBG activities. Faith-Based organizations that receive Federal CDBG funds may never discriminate against beneficiaries of Federally funded services on any basis, including religion, race, national origin, sex, personal views, or sexual orientation. The Minnesota Human Rights Act states all persons may not be discriminated against based on race, color, creed, religion (fraternal and faith-based organizations exempt), national origin, sex, marital status, family status (housing only), disability, public assistance, age and sexual orientation (employment only).

Title VII of the Civil Rights Act of 1964 protects Americans from employment discrimination based on race, color, religion, sex, national origin, and also protects the ability of faith-based organizations to maintain their religious liberty and identity by hiring employees who share their religious beliefs. To do this, the Civil Rights Act created a special exemption for religious groups, which allows them to maintain their religious identity and hire individuals supportive of their mission and vision without running afoul of the Civil Rights Act. In 1972, Congress expanded this exemption to cover all positions offered by a faith-based employer, and in 1987, the United States Supreme Court upheld this protection.

Faith-Based organizations that receive CDBG funds to administer CDBG activities must follow several principles, including:

1. They must not discriminate against any persons receiving a public service or make participation in religious activities a condition for receiving such services;
2. They should be accountable for the public funds they receive and must use them only for their intended purposes, with no Federal dollars being used to support inherently religious activities;

¹ HUD. CPD. Community Development, Rules and Regulations, Subpart J, 570.503 Agreements with Subrecipients. February 26, 2001.

<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/regulations/subj/570503.cfm>

² HUD. “Ensuring CDBG Subrecipient Timeliness: Guidelines for Grantee Selection, Management, and Oversight of Subrecipients in the Community Development Block Grant Program.” May 2003.

<http://www.hud/offices/cpd/communitydevelopment/library>

3. When they receive Federal funds, they retain their right to hire those individuals who are best able to further their organizations goals and mission; and
4. They are protected under Title VII and HUD's rule on Equal Participation of Faith-Based Organizations to take their faith into account when they make employment decisions.³

Community Development Block Grant (CDBG) Requirements

The following describes general policies and authority for faith-based organizations who administer activities funded by Community Development Block Grants (CDBG).

Faith-based activities

1. Organizations that are religious or faith-based are eligible, on the same basis as any other organization, to participate in the CDBG program. Neither the Federal government nor a State or local government receiving funds under CDBG programs shall discriminate against an organization on the basis of the organization's religious character or affiliation.
2. Organizations that are directly funded under the CDBG program may not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the programs or services funded. If an organization conducts such activities, the activities must be offered separately, in time or location, from the programs or services funded, and participation must be voluntary for the beneficiaries of the HUD-funded programs or services.

A religious organization that participates in the CDBG program will retain its independence from Federal, State, and local governments, and may continue to carry out its mission, including the definition, practice, and expression of its religious beliefs, provided that it does not use direct CDBG funds to support any inherently religious activities, such as worship, religious instruction, or proselytization. Among other things, faith-based organizations may use space in their facilities to provide CDBG-funded services, without removing religious art, icons, scriptures, or other religious symbols. In addition, a CDBG-funded religious organization retains its authority over its internal governance, and it may retain religious terms in its organization's name, select its board members on a religious basis, and include religious references in its organization's mission statements and other governing documents.

3. An organization that participates in the CDBG program shall not, in providing program assistance, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.
4. CDBG funds may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. CDBG funds may be used for the acquisition, construction, or rehabilitation

³ White House Faith-Based and Community Initiatives. Protecting the Civil Rights and Religious Liberty of Faith-Based Organizations: Why Religious Hiring Rights Must Be Preserved, Booklet.
<http://www.whitehouse.gov/government/fbci/booklet.pdf>

of structures only to the extent that those structures are used for conducting eligible activities. Where a structure is used for both eligible and inherently religious activities, CDBG funds may not exceed the cost of those portions of the acquisition, construction, or rehabilitation that are attributable to eligible activities in accordance with the cost accounting requirements applicable to CDBG funds. Sanctuaries, chapels, or other rooms that a CDBG-funded religious congregation uses as its principal place of worship, however, are ineligible for CDBG-funded improvements. Disposition of real property after the term of the grant, or any change in use of the property during the term of the grant, is subject to government-wide regulations governing real property disposition (see 24 CFR parts 84 and 85).

5. If a State or local government voluntarily contributes its own funds to supplement federally funded activities, the State or local government has the option to segregate the Federal funds or commingle them. However, if the funds are commingled, this section applies to all of the commingled funds.⁴

Accordingly, grantees should consult with the appropriate HUD program office to determine the scope of applicable requirements.⁵

Faith-Based and Community Initiatives Websites

The U.S. Department of Housing and Urban Development website provides additional information on the Faith-Based and Community Initiatives, including:

1. HUD's Center for Faith-Based and Community Initiatives
<http://www.hud.gov/offices/fbci/>
2. 10 Things Your Faith Community Can Do to Encourage Homeownership
<http://www.hud.gov/initiatives/fbci/topten/index.cfm>

The White House Faith-Based and Community Initiatives website also provides additional Faith-Based and Community Initiatives information, including:

1. White House Office of Faith-Based and Community Initiatives
<http://www.whitehouse.gov/government/fbci/index.html>
2. Guidance to Faith-Based and Community Organizations on Partnering with the Federal Government
<http://www.whitehouse.gov/government/fbci/guidance/index.html>
3. Fact Sheet: White House Office of Faith-Based and Community Initiatives
<http://www.whitehouse.gov/news/releases/2003/09/20030922-1.html>

⁴ HUD. Federal Register, Part IV, CFR Part 92 et al. Participation in HUD Programs by Faith-Based Organizations; Providing from Equal Treatment of All HUD Program Participants; Final Rule.
<http://www.hud.gov/initiatives/fbci/finalrule.pdf>

⁵ HUD. 24 CFR Parts 5 and 570, Equal Participation of Faith-Based Organizations.
<http://www.hud.gov/initiatives/fbci/faithbasednotice.pdf>

Conflict of Interest Prohibition

Conflicts Prohibited

No person may obtain a financial interest or benefit from a CDBG activity who has exercised any function or responsibility with respect to that activity. This includes any person who is in a position to participate in a decision-making process or gain inside information with regard to such activities, or has an interest in any contract, subcontract or agreement. A person who obtains proceeds, either for themselves or those with whom they have family or business ties, is considered a conflict of interest. HUD's regulations regarding conflict of interest are found in 24CFR Part 570.611 and Part 85.36.

Procurement Conflicts

Your standards must require that no employee, officer, agent of the recipient or administering agency may participate in the selection or administration of a contract supported by CDBG if the conflict of interest, real or apparent, would be involved. Such a conflict would arise when any of the following parties has a financial or other interest in the firm selected for award:

- Employee, agency or officer of the recipient or administering agency,
- Any member of an employee's, agent's or officer's immediate family,
- An employee's, agent's or officer's partner, or
- An organization that employs or is about to employ any of the above.

Persons Covered

The conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the state, or a unit of general local government, or of any designated public agencies, or subrecipients which are receiving CDBG funds. An example of conflicts of interests is shown in the following table.

Table 1-6: Conflict of Interest Examples

Conflict of Interest Examples		
<i>Organization</i>	<i>Description</i>	<i>Conflict</i>
Local Unit of Government	The city council member's sister wants to participate in an owner-occupied rehabilitation project that is being undertaken using CDBG funding.	The council member would need to follow the CDBG procedures for conflict of interest.
Local Unit of Government	The mayor's brother was to bid on the inspector services to be provided under a CDBG award.	The mayor would not be able to participate in the procurement of the contract in which his brother plans to bid. However, the selection of the inspection firm must be made in accordance with the local unit of government's procurement standards.
Not-for-profit-not acting as a owner, sponsor, or developer	A board member of the organization intends to bid on work that the organization is undertaking using CDBG funds.	The board member would need to follow the CDBG procedure for conflict of interest.

SUBRECIPIENT AGREEMENTS

Disclosure forms may be necessary to use for certain CDBG activities (i.e., committee awarding contracts to lowest, responsible bidder). A sample disclosure form is provided as follows:

Form 1-6: Sample Dakota County CDBG Conflict of Interest Disclosure Form

Date: _____ Name: _____

From: City/Township of _____

Position: _____

CDBG Activity Name: _____

CDBG Activity Grant Period: _____

Will you obtain any real or perceived financial interest or benefit from this CDBG Activity?
____ Yes ____ No

1. If yes, please disclose the specific interest or benefit (i.e., equity or ownership interest).

2. If no, please explain reasons, if necessary.

I hereby agree to update this disclosure during the period of the CDBG Activity, if necessary, as new reportable financial interests are obtained.

Signature

Date

Environmental Review

In this chapter you will find information on the environmental review process in Dakota County, including

- Dakota County CDA environmental review responsibilities as a grantee
- Environmental and federal regulations, including NEPA and 24 CFR Part 58
- Categories of environmental review, including
 1. Exempt activities
 2. Categorically excluded activities, and
 3. Activities requiring an environmental assessment
- Environmental assessment process

Conducting an Environmental Review

Legislative Background

The National Environmental Policy Act of 1969 (NEPA) is the basic national charter for the protection of the environment. HUD applies NEPA policy, goals and agency regulations regarding environmental review in 24 Part 50, "Protection and Enhancement of Environmental Quality." HUD is responsible for conducting environmental reviews for any HUD programs which may impact the environment, however, statutory authority allows other qualified entities to assume this responsibility for certain programs.

The Dakota County CDA is a grantee of CDBG funds, and is considered the "Responsible Entity" (RE) accountable for implementing environmental reviews and rules under 24 CFR Part 58, "Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities." The Dakota County CDA must implement CDBG funded activities in accordance to NEPA and 24 CFR Part 58 in the following areas:

- Air Quality
- Coastal Zones
- Endangered Species
- Farmlands Protection
- Fish and Wildlife
- Floodplain
- Historic Properties
- Built Hazards
- Noise
- Solid Waste Disposal
- Water Quality
- Wetlands

The environmental review must be conducted and approved before any funds may be committed to a project. The Dakota County CDA has a "Certifying Officer" responsible for the environmental review process, including management of environmental review requirements and documentation.

Key Federal Regulations

There are several regulations which govern the process of environmental reviews in HUD-assisted programs. The following is a list of some of the key regulations, which may be referred to in an environmental review.

- 24 CFR Part 50: Protection and Enhancement of Environmental Quality
- 24 CFR Part 58: Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities
- 24 CFR Part 51: Environmental Criteria and Standards
- 24 CFR Part 55: Floodplain Management
- 36 CFR Part 800: Protection of Historic Properties
- 40 CFR Parts 1500-1508: Council on Environmental Quality Implementation of NEPA Procedural Provisions
- 7 CFR Part 658: Farmland Protection Policy Act

Certain activities are defined in Parts 50 and 58 as exempt from environmental review or not subject to NEPA and other environmental laws and authorities. Even though certain activities are categorically excluded from NEPA, some of these still require compliance actions for their specific category of the environment, e.g. historic preservation, clean air, etc.

Categories of Environmental Review

There are three types of environmental review for CDBG funded activities.

1. Exempt activities
2. Categorically excluded activities, and
3. Activities requiring an environmental assessment

Exempt Activities

Certain activities funded by HUD are exempt from NEPA environmental review requirements and other Federal laws, including:

- Planning studies
- Environmental studies
- Project planning
- Administrative costs
- Preliminary project engineering and design costs for a proposed eligible activity
- Urban renewal loan payments
- Section 108 loan payments
- Interim assistance activities and activities correcting imminent threats to health and safety
- Continuation of social and economic (non-physical) public services

The Dakota County CDA documents activities that are exempt from environmental review by completing a Findings of Exemption statement which identifies the activity and states the statutory authority for the exemption.

Categorically Excluded Activities

The following activities are categorically excluded from NEPA environmental review requirements, but must comply with other Federal environmental laws:

1. Acquisition, construction, reconstruction, rehabilitation, or installation of public facilities, other than buildings:
 - A. If acquisition is for retention or existing use
 - B. Provided the facilities are currently in place and will be retained for the same use without change in size or capacity of more than 20 percent.
2. Special projects for the removal of material and architectural barriers
3. Rehabilitation of buildings and improvements when the following conditions are met:
 - A. For 1-4 unit residential buildings, where unit density is not increased, the land use is not changed, and the building footprint is not increased in a floodplain or wetland.
 - B. For multifamily residential buildings, where unit density has not changed more than 20 percent, the land use has not changed to non-residential, and cost of rehab is less than 75 percent of the total estimated replacement after rehab.
 - C. For non-residential structures, where its size and capacity will not change by more than 20 percent, and the activity does not involve a change in land use.

Housing rehabilitation where unit density is not increased by more than 20 percent, there are not changes in land use or residential class, and the cost of rehabilitation is less than 75 percent of the cost of replacement value after rehabilitation.

Activities Requiring an Environmental Assessment

Projects that are neither exempt nor categorically excluded require an Environmental Assessment (EA) or an Environmental Impact Statement (EIS) that considers a broad range of impacts in addition to compliance with NEPA and other specific federal laws and authorities.¹

Environmental Assessment Process

An Environmental Assessment concludes with either a finding of No Significant Impact (FONSI) or a Finding of Significant Impact (FOSI). In the latter case, the review moves on to preparation of a full EIS. However, most HUD projects do not require preparation of an EIS.

Once the environmental review is completed, the responsible entity must notify the public of its intent to request a release of funds from HUD for projects that are categorically excluded or that required an EA or EIS.² The public notice/HUD approval process typically takes 45 days.

¹ State of New Mexico. Community Development Bureau, Community Development Block Grant Program Implementation Manual, Chapter 2, Environmental Review. <http://www.nmlocalgov.net/CDB/PDF/CHAP2.PDF>

² HUD. Energy and Environment. Manual for HUD Staff to Conduct an Environmental Review, Conducting an Environmental Review - Chapter One. August 29, 2001. <http://www.hud.gov/offices/cpd/energyenviron/environment/compliance/forms/trngmanual/chapter1.cfm>

Financial Management

In this chapter you will find information on the financial management of CDBG program activities in Dakota County, including:

- General management of CDBG program financial administration and activities by the Dakota County CDA
- Dakota County CDA reimbursement process for CDBG funded activities, and
- Requirements for changes or amendments to the Dakota County CDA, CDBG budget

Administration and Activities

General Management by the CDA.

The Dakota County CDA is responsible for overall financial management of the CDBG Entitlement Program. Generally, this includes the following:

- Review adherence to certain federal administrative requirements, including OMB circulars and HUD program regulations.
- Oversee the annual budgeting process whereby CDBG funds are allocated to countywide activities and to four (4) CDBG Districts in Dakota County.
- Obtain the annual Congressional Release of Funds at the beginning of each Program Year, which usually is received in mid-late July.
- Establish accounts for all CDBG activities that have been approved in the Annual Action Plan.
- Identify whether the city, township or CDA directly administers a CDBG activity. If a city or township administers activities, the CDA will reimburse prior expenditures made by the city/township from corresponding CDBG accounts. If the CDA administers activities, it pays vendors directly from corresponding accounts.
- Approve all check and draw requests for CDBG funding. Draw funds from the U.S Treasury (Dakota County's CDBG allocation) through a computerized transaction system known as IDIS.
- Oversee the receipt and expenditure of CDBG Program Income according to HUD regulations.

Uniform Administrative Requirements

OMB Circular A-133

Dakota County subrecipients must maintain controls to ensure compliance with the requirements of OMB circular A-133. Audit requirements are invoked when a certain level of federal funds are expended in a given fiscal year. Subrecipients expending less than \$500,000 in federal funds will not be subject to single audit requirements, but they must prepare information for the Schedule of Expenditures of Federal Awards. This threshold increased from \$300,000 to \$500,000 for fiscal year ending December 31, 2003. Annual oversight responsibilities will include the following sections:

1. The CDA will request annual audits and/or financial reports of subrecipients no later than July 30th of each year.
2. The CDA will compare its accounting records with federal receipts and expenditures in the subrecipients' reports, and the CDA will review audit findings and other financial conclusions within the reports.
3. The CDA will identify any follow-up and corrective actions on audit findings or other financial reporting issues no later than October 31st of each year.
4. The CDA will assess all subrecipients' ability to complete follow-up actions prior to its submission of the following year's Annual Action Plan.

OMB Circular A-87

The circular establishes principles and standards for determining allowable costs under federal programs. Subrecipients assume responsibility for administering federal funds in a manner consistent with the terms and conditions of the federal award and with underlying agreements.

Reimbursement Procedures

Reimbursement Process

The Dakota County CDA follows a detailed reimbursement process for CDBG funded activities. This reimbursement process is listed as follows:

1. CDBG funds are paid by check from the CDA rather than wire transferred.
2. Checks are disbursed from the CDA once per week (Thursday); reimbursement requests received by the CDA no later than the end of each Friday will be processed the following week.
3. Reimbursement requests must be made on the standard CDA form, "Request for Reimbursement" (Form 1-8) along with verification information and signatures. Reimbursements may be requested periodically through the project implementation stages, or one may be requested for the full project at time of completion.

4. The CDA's CDBG Close Out form must be completed and submitted with a final reimbursement request (Form 2-8).
5. All supporting documentation for CDBG funds requested must be kept within the Subrecipient's grant file.

Reporting Procedures

Reporting Process

Status reports are required from all subrecipients according to the subrecipient agreements. Two reports are required as follows:

1. Quarterly reports (Form 3-8) are due every three months as a progress narrative.
2. Final Closeout Report (Form 2-8) is due at the end of each CDBG activity

Budget Amendments

Budget Amendments

The requirements for changes or amendments to the Dakota County CDA, CDBG budget are listed as follows:

1. CDBG budget amendments may be approved as either Substantial or Administrative. All amendments must be submitted to the CDA on a "CDBG Budget Amendment Request" form found in Form 4-8 of this manual.
2. Substantial amendments are required under the following circumstances: (a) changing an activity's budget \$75,000 or more, (b) adding a new activity during any single program year, (c) deleting an existing activity in its entirety prior to any expenditure, or (d) changing the purpose, scope, location or beneficiaries of an activity. Once a budget amendment request form is received by the CDA, staff will begin a formal process that includes legal publication, 30-day comment period, and CDA Board approval (normal process time is 6-7 weeks). [Note: Changing a budget by \$75,000 or more applies to a single amendment request within a single Program Year. For example, a city that requests to amend \$40,000 in PY02 plus \$50,000 in PY03 would not trigger a Substantial amendment].
3. All substantial amendments must also include corresponding activity description/budget amendments to the subrecipient agreement.
4. Administrative amendments are all those not deemed to be Substantial in nature. Such amendments only require CDA internal processing once a budget amendment request form is received by staff (normal process time is one week). The CDA does not require formal city council or town board action, although this may be necessary as determined by the local jurisdiction.
5. Once the above-mentioned process is completed, the CDA will officially amend the budget(s) and corresponding accounts within the CDBG financial system.

Form 1-8: Sample Dakota County CDA Request for Reimbursement Form

Date: _____

From: City/Township of _____

Please complete the appropriate sections. The Dakota County CDA will fill in the shaded areas. You must include all appropriate documentation to support this request (i.e. staff hours and rate of pay, invoices for work completed, copies of plans, etc.) Please use additional request forms if necessary.

Reimbursement for the following activities is being requested from the CDBG Program:

Name of Project/Activity	Amount Requested	Dates of Service/Period of Time	CDA Account Number

Do you have program income (i.e., revolving account) to draw first for this activity? ____ Yes ____ No
 If yes, please indicate how much program income you are drawing for this activity: \$ _____

Documentation to support Request for Reimbursement (please include with this request):

- | | | |
|---|--|--|
| <input type="checkbox"/> Timesheets
(# of hours, rate of pay and benefits tied to the CDBG activity) | <input type="checkbox"/> Invoices / Proof of Payment
(copies of checks, receipts for work completed or equipment purchased) | <input type="checkbox"/> Completed product
(i.e. plan, study, survey) |
|---|--|--|

The following chart is for DIRECT BENEFIT ACTIVITIES (housing or public service activities). Please report the demographic information of those served during the dates of service listed above. If you are reporting a HOUSING activity, please report in number of HOUSING UNITS. If you are reporting a PUBLIC SERVICE activity, please report in number of PEOPLE. Please use additional forms for more than one activity.

DO NOT COMBINE DATA FROM MORE THAN ONE ACTIVITY OR SERVICE DATES

DEMOGRAPHICS	Hispanic?		Income Level			# Female Headed Households
	Yes	No	Very Low (0-30%)	Low (31-50%)	Moderate (51-80%)	
Race						
White						
Black/African American						
Black/African American & White						
Asian						
Asian & White						
American Indian or Alaskan Native						
American Indian/Alaskan & White						
American Indian/Alaskan & Black						
Native Hawaiian/Other Pacific Islander						
Other						
Totals						

Prepared by: _____
 Program Administrator

Approved by: _____
 Finance Department

Form 2-8: Sample CDBG Program Final Project Report – Closeout Form

Date: _____ Period Covered: _____ (start)
_____ (end)

From: City/Township of _____

Activity Name: _____

Latest Subrecipient Agreement Date for this Activity: _____

Did this city or township have any Subrecipients to administer CDBG activities? ___ Yes ___ No
If yes, please identify Subrecipients and Subrecipient Agreement Dates: _____

Did you complete this CDBG Activity on schedule and/or in a timely manner? ___ Yes ___ No

1. Describe final accomplishments of this activity.

2. Describe how the appropriate national objective was met in this activity.

3. Describe challenges, if any, in order to complete this activity.

4. Budget Summary: (use more than one year if it was a multi-year funded project)

Original budget:	\$ _____	Program Year:	_____
Amended budget:	\$ _____	Amend Date:	_____

Original budget:	\$ _____	Program Year:	_____
Amended budget:	\$ _____	Amend Date:	_____

Original budget:	\$ _____	Program Year:	_____
Amended budget:	\$ _____	Amend Date:	_____

Does this activity have any fund balances to be allocated to another activity? ___ Yes ___ No

Did this activity expend any program income? ___ Yes ___ No

If yes, identify the total amount of program income spent on this activity: \$ _____

5. Monitoring Summary:

Date(s) of on-site CDA monitoring: _____

Date(s) of Subrecipient monitoring: _____

The following chart is for DIRECT BENEFIT ACTIVITIES (housing or public service activities). Please report the demographic information of those served during the dates of service listed above. If you are reporting a HOUSING activity, please report in number of HOUSING UNITS. If you are reporting a PUBLIC SERVICE activity, please report in number of PEOPLE. Please use additional forms for more than one activity.

COMPLETE FOR LAST QUARTER ONLY or PERIOD(S) NOT REPORTED PREVIOUSLY

DEMOGRAPHICS	Hispanic?		Income Level			# Female Headed Households
	Yes	No	Very Low (0-30%)	Low (31-50%)	Moderate (51-80%)	
Race						
White						
Black/African American						
Black/African American & White						
Asian						
Asian & White						
American Indian or Alaskan Native						
American Indian/Alaskan & White						
American Indian/Alaskan & Black						
Native Hawaiian/Other Pacific Islander						
Other						
Totals						

Prepared by: _____

Reviewed by: _____

Subrecipient

CDA Staff

Form 3-8: Sample Dakota County CDBG Reporting Form (Quarterly)

Date: _____ Months Covered: _____

From: City/Township of _____

Activity Name: _____

Did you have any progress with this CDBG Activity during this reporting period ___ Yes ___ No

1. Describe progress, completed activities, or reasons for the lack of progress during this period.

2. Identify any problems or concerns related to this activity.

The following chart is for DIRECT BENEFIT ACTIVITIES (housing or public service activities). Please report the demographic information of those served during the dates of service listed above. If you are reporting a HOUSING activity, please report in number of HOUSING UNITS. If you are reporting a PUBLIC SERVICE activity, please report in number of PEOPLE. Please use additional forms for more than one activity.

DO NOT COMBINE DATA FROM MORE THAN ONE ACTIVITY OR SERVICE DATES

DEMOGRAPHICS	Hispanic?		Income Level			# Female Headed Households
	Yes	No	Very Low (0-30%)	Low (31-50%)	Moderate (51-80%)	
Race						
White						
Black/African American						
Black/African American & White						
Asian						
Asian & White						
American Indian or Alaskan Native						
American Indian/Alaskan & White						
American Indian/Alaskan & Black						
Native Hawaiian/Other Pacific Islander						
Other						
Totals						

Prepared by: _____
Subrecipient

Reviewed by: _____
CDA Staff

Form 4-8: Sample CDBG Budget Amendment Request Form

Date: _____ Total Amendment(s): \$ _____

From: City/Township of _____

Please identify Activity Budgets you are requesting to be amended in the CDBG Program. The Dakota County CDA will fill in the shaded areas. You have various amendment options, including:

1. Amend a budget by transferring its balance from one activity to a different activity within the same program year (i.e., transfer \$10,000 from acquisition to rehab in FY04).
2. Amend a budget by transferring its balance to a newly created activity within the same program year (i.e., transfer \$25,500 from clearance to a newly created rehab activity in FY03).
3. Amend a budget by deleting it entirely with no previous expenditures, and transferring that budget to one or more existing/new activities within the same program year (i.e., delete a relocation activity originally budgeted for \$15,000 and transfer it to another existing public service activity in FY02).

NOTE: The CDA will determine whether the proposed amendment is either administrative or substantial in nature. If it is substantial (i.e., deleting an activity), then the CDA will need to publish the amendment for public comment and obtain CDA Board approval. A substantial amendment process will take approximately 45 days to complete. The CDA can assist with the identification of original budgets and fund balances.

Amending budgets WITHOUT creating and/or deleting activities:

Name of Activity and Program Year (Dtown Commercial Rehab – FY03)	Original Budget	Proposed Budget	Budget Change	CDA Account Number

Amending budgets WITH new and/or deleted activities:

Name of Activity and Program Year (Senior Center Services – FY04)	Original Budget	Proposed Budget	Budget Change	CDA Account Number

Prepared by: _____
 Program Administrator

Approved by: _____
 Finance Department

Timeliness of Expenditures

In this chapter you will find information on the timeliness of expenditures for the CDBG program, including:

- CDBG Contingency Plan for Timeliness of Expenditures, and
- Tips to manage expenditure of CDBG Funds in a timely manner

CDBG Contingency Plan Timeliness of Expenditures

The CDBG Contingency Plan for Timeliness of Expenditures was developed in order to spend Community Development Block Grant (CDBG) funds in a timely manner. Based on Subpart 0, 570.902, HUD reviews the performance of Dakota County as an entitlement urban county each year. Sixty (60) days prior to the end of a grantee's program year, the amount of non-disbursed CDBG funds cannot be more than 1.5 times the entitlement grant for its current program year.¹ The 60-day time for Dakota County is May 1, and the 1.5 ratio results in a figure that is approximately \$3.15 million (based on an annual allocation of \$2.10 million). An example of the 1.5 ratio for subrecipients in Dakota County in fiscal year 2004 is found in Appendix E, Table 1-9. A contingency plan is beneficial in order to assess whether this county can make efforts to spend CDBG funds if early indications show expenditure problems within any or all of the county's four districts.

The following steps should be taken in the order shown during a program year for Dakota County, which is July 1 through June 30:

Six-Month Review

By November 1, CDA staff should identify each Subrecipient's balance of unspent CDBG funds. A notice should be sent to each Subrecipient that shows an individual listing of unfinished activities and corresponding fund balances. CDA staff should meet individually with each Subrecipient, as deemed necessary, to discuss timely expenditure issues. The CDA will also provide a status report to all Subrecipients on the countywide and individual city revolving accounts for housing rehab (including a forecast of program income for the next six months).

Five-Month Review

By December 1, CDA staff shall make a preliminary determination whether or not a Subrecipient will meet its own timeliness ratio of 1.5 by May 1 (Appendix E). CDA staff will also make a determination on how much rehab funding will remain unspent by May 1. These conclusions will be shared with all Subrecipients as a basis for possible reallocation of funds.

¹ HUD. CPD. Community Development, Rules and Regulations, Subpart 0, 570.902 Review to Determine if CDBG Funded Activities Are Being Carried out in a Timely Manner. March 2, 2001.
<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/regulations/subo/570902.cfm>

Four-Month Review

By January 1, CDA staff shall have initiated amendments to the annual Action Plan for Dakota County in order to reallocate CDBG funds to activities that can spend those funds by May 1. This plan amendment will be based on the following procedures being undertaken during the month of December: (a) a meeting of representatives from each district to discuss fund transfers within a district; (b) written approval from a Subrecipient that will transfer CDBG funds from its jurisdiction to another jurisdiction; and (c) written verification that a jurisdiction receiving additional CDBG funds can spend it by May 1. Transferring CDBG funds from one activity to another will be accomplished according to the following procedures:

- Transfer funds from one activity to another within a jurisdiction (city or township); or public housing modernization projects, as identified by the CDA,
- Transfer funds from county-wide rehab to another county-wide activity;
- Transfer funds from one jurisdiction to another within the same district; and/or
- Transfer funds from one jurisdiction to another jurisdiction outside the district.

The combined impact of the transfer options must attain an expenditure rate at or below 1.5 by May 1 for Dakota County. If this can be achieved by implementing one or both of the first two options, then the final two will not be needed. However, if all four options need to be implemented, then some jurisdictions will be losing and some will be gaining funds in order to avoid HUD penalties imposed on the county.

An additional step that may be taken related to the last two options is for one jurisdiction to transfer funds to another with the possibility of getting those funds back (in part or in whole) during the following program year. This may not be possible under a formal agreement, but it could be viewed as a possible scenario to balance the funding levels within following program years.

It is possible that a jurisdiction will have more than 1.5 times its current CDBG allocation unspent by January 1, and yet, it will not agree to transfer funds to another activity. Under that circumstance, the CDA reserves the right to take steps necessary to transfer funds in excess of the 1.5 ratio (Appendix E).

Three-Month Review

By February 1, those activities that are receiving additional CDBG funds from approved reallocations must be in an active stage for spending dollars. The following three months will be critical for the timely expenditure of funds. For example, if property acquisition is such an activity, a purchase agreement should be executed and the contingency period should be in place. The jurisdiction acquiring property should be completing items to remove any contingencies in anticipation of closing no later than May 1.

Two-Month Review

By March 1, the CDA will determine whether any further amendments are necessary to transfer CDBG funds. This may be necessary to accommodate a new activity that was recently identified for immediate expenditure (assuming CDBG eligibility).

One-Month Review

By April 1, all jurisdictions will do their best to complete all activity expenditures that are pending within the May 1 timeframe.

Tips to Manage CDBG Funds in a Timely Manner

The CDBG Contingency Plan for Timeliness of Expenditures assists the Dakota County CDA subrecipients to spend CDBG funds in a timely manner. The following tips provide additional assistance for subrecipients to meet HUD's requirements and the requirements listed in the Dakota County CDBG Contingency Plan.

Timeliness in Program Awareness

Establishing CDBG funded activities and meeting timeliness of expenditures deadlines should also involve the following factors:

1. Timeliness should be considered when determining CDBG funded activities.
2. Select CDBG funded activities that can be initiated within 6-12 months of the beginning of the grant year, and completed within 12-18 months of their start date.
3. All CDBG funded activities should have a project timeline or schedule for the use of funds to monitor and measure activity performance.
4. All CDBG funded activities should have a project timeline or schedule for project milestones to monitor and measure activity performance.
5. All CDBG funded activities should have clear objectives and measurable results.
6. Monitoring and reviewing financial management of CDBG funded activities is an ongoing task.
7. Identify and minimize delays in implementation of activities, or phase projects over several years to reduce delays.
8. Conduct environmental assessments and reviews before distribution of CDBG grant funds to ensure timely implementation of activities.
9. Establish alternate activities or plans of action for activities to manage delays.
10. Identify and mitigate problems or issues early on to avoid delays in timeliness of expenditures.²

² HUD. "Keeping Your CDBG Funds Moving: Guidelines for Managing Your Overall Community Development Block Grant Program in a Timely Manner." May 2002.
<http://www.hud/offices/cpd/communitydevelopment/library/index.dfm>

Program Income

In this chapter you will find information on program income for CDBG funds, including:

- Definition of program income, and
- The Dakota County CDA Program Income Reuse Policy

Program Income Definition

Program income means gross income received by the recipient or a subrecipient directly generated from the use of CDBG funds, except as provided in paragraph (a)(4) of this section. Under CDBG regulations, subrecipients must use their program income before requesting additional CDBG funds.¹

1. Program income includes, but is not limited to, the following:
 - A. Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds;
 - B. Proceeds from the disposition of equipment purchased with CDBG funds;
 - C. Gross income from the use or rental of real or personal property acquired by the recipient or by a subrecipient with CDBG funds, less costs incidental to generation of the income;
 - D. Gross income from the use or rental of real property, owned by the recipient or by a subrecipient, that was constructed or improved with CDBG funds, less costs incidental to generation of the income;
 - E. Payments of principal and interest on loans made using CDBG funds, except as provided in paragraph (a)(3) of this section;
 - F. Proceeds from the sale of loans made with CDBG funds;
 - G. Proceeds from sale of obligations secured by loans made with CDBG funds;
 - H. Interest earned on program income pending its disposition; and
 - I. Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where the assessments are used to recover all or part of the CDBG portion of a public improvement.
2. Program income does not include income earned (except for interest described in 570.513) on grant advances from the U.S. Treasury. The following items of income earned on grant advances must be remitted to HUD for transmittal to the U.S. Treasury, and will not be reallocated under section 106(c) or (d) of the Act:
 - A. Interest earned from the investment of the initial proceeds of a grant advance by the U.S. Treasury;
 - B. Interest earned on loans or other forms of assistance provided with CDBG funds that are used for activities determined by HUD either to be ineligible or to fail to meet a national objective in accordance with the requirements of

¹ HUD. "Ensuring CDBG Subrecipient Timeliness: Guidelines for Grantee Selection, Management, and Oversight of Subrecipients in the Community Development Block Grant Program." May 2003.
<http://www.hud/offices/cpd/communitydevelopment/library>

- subpart C of this part, or that fail substantially to meet any other requirement of this part; and
- C. Interest earned on the investment of amounts reimbursed to the CDBG program account prior to the use of the reimbursed funds for eligible purposes.²

Program Income Reuse Policy

Purpose

The Dakota County CDA Program Income Reuse Policy establishes procedures for the administration and utilization of program income received as a result of activities funded under the federal Community Development Block Grant (CDBG) Program. This policy addresses the requirements of 24 CFR 570.489(e) (3). The Dakota County Community Development Agency is hereinafter referred to as the “Subgrantee”, and each cooperating jurisdiction is hereinafter referred to as a “Subrecipient”.

Definition

Program income is the gross income received by a jurisdiction that has been directly generated from the use of CDBG funds. For those activities generating program income that are only partially funded with CDBG funds, such income is prorated to reflect the actual percentage of CDBG participation. Examples of program income include: payments of principal and interest on loans made using CDBG funds, net proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds, and interest earned on funds held in a revolving fund account.

Activities

Program income in Dakota County will only be used for eligible CDBG activities that meet a national objective as specified in 24 CFR 570.482 and 570.483.

Distribution

Program income in Dakota County will be classified and distributed within one of two general types of accounts:

- Revolving Fund (RF) Account
- Non-revolving Income (NI) Account

The RF Accounts are typically established for ongoing program activity, such as housing rehab or economic development. The NI Accounts are established from non-revolving program income, such as funds from land disposition or repayments from land acquisition that doesn't result in a low/moderate income activity.

² HUD. CPD. Community Development, Rules and Regulations, Subpart J, 570.504 Program Income. March 2, 2001. <http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/regulations/subj/570504.cfm>

Revolving Fund Account

Dakota County CDA will deposit program income from housing rehab, economic development or down payment assistance that is administered by the Subgrantee into corresponding Revolving Fund (RF) Accounts as follows:

1. Program income generated from CDBG funds allocated to a Subrecipient will be deposited into a separate RF Account for that same individual Subrecipient; or
2. Program income generated from CDBG funds allocated to a countywide activity will be deposited into a separate corresponding "Countywide" RF Account.
3. Check and/or reimbursement requests related to an activity assigned to a RF Account will be drawn first from that account prior to an entitlement account.

Subrecipients also have the ability to establish Revolving Fund Accounts for local CDBG activities upon written approval of the Subgrantee. These accounts will require formal reporting during each fiscal year as required by the Subgrantee.

Non-revolving Income Account

Dakota County will deposit all program income that is not assigned to a Revolving Fund Account to a Non-revolving Income (NI) Account as follows:

1. Program income generated from CDBG funds allocated to a Subrecipient will be returned immediately to the Subgrantee, which will be deposited into one corresponding Subrecipient NI Account (i.e., Burnsville NI Account). Check and/or reimbursement requests from a Subrecipient that cannot be paid from a RF Account will first be drawn from a NF Account, if existing, prior to drawing funds from an entitlement account.
2. Program income generated from CDBG funds allocated to a Subgrantee county-wide activity will be deposited into one Subgrantee NI Account (i.e., CDA NI Account). Check and/or reimbursement requests related to a county-wide activity that cannot be paid from a RF Account will first be drawn from a NI Account, if existing, prior to drawing funds from a county-wide entitlement account.
3. The Subrecipient or Subgrantee retains the option of amending an existing CDBG activity (or activities) to increase its budget equal to the amount of program income within its NI Account, or it can amend the county's Annual Action Plan to include a new CDBG-eligible activity.
4. If no draws are made from a Subrecipient's NI Account within twelve (12) months of establishing that account, it may be transferred to a Subgrantee NI Account for distribution to eligible countywide activities.

Account Dissolution

Dissolving either Revolving Fund or Non-revolving Income Accounts shall be completed as follows:

1. A Subrecipient's RF Account may be dissolved if that account will receive no further income based on evidence from the Subrecipient or Subgrantee. The Subrecipient must submit a written request to the Subgrantee prior to final dissolution action. CDBG funds remaining in a Subrecipient's RF Account to be dissolved must be transferred to a new or existing NI Account of that same Subrecipient.
2. A Subgrantee's RF Account may be dissolved if that account will receive no further income based on evidence from the Subgrantee. CDBG funds remaining in the Subgrantee's RF Account to be dissolved must be transferred to a new or existing NI Account of the Subgrantee.
3. In some cases, a Subrecipient or Subgrantee may want to transfer fund balances from a RF Account that is still receiving income. If no further expenditures are planned for that activity, a partial transfer may be permitted. Subrecipients must submit a written request to the Subgrantee, including the requested amount of transfer, which will go from its RF Account to its existing or newly created NI Account.
4. A Subrecipient's NI Account may be dissolved based on Section F.6. of this Policy.

*Adopted by the Dakota County CDA Board on April 13, 2004.

Davis-Bacon and Related Acts

This chapter will answer and provide information on the following questions:

- When are prevailing wage regulations applicable
- What is required in contracting and bid documents
- Which wage decision to use, and
- How to evaluate and ensure Davis Bacon compliance

Introduction

The Davis-Bacon Act requires the payment of prevailing wage rates to all laborers and mechanics on construction and rehabilitation projects with more than \$2,000 of federal funding. Prevailing wage rates are published by the U.S. Department of Labor in a “Davis-Bacon wage decision”. The wage decision lists the prevailing (minimum) base wage and fringe benefits for multiple laborer classifications such as carpenter, electrician, plumber, etc. Contractors and all subcontractors must submit weekly certified payroll reports listing all employees, including owner-operators, engaged in on-site labor.

Statutory and Regulatory Bases

Davis-Bacon Act

The Davis-Bacon Act (DBA) provides that contracts in excess of \$2,000 to which the United States is a party for the construction, alteration and/or repair, including painting and decorating, of public buildings or public works, which involve the employment of laborers and/or mechanics, shall contain provisions with respect to minimum wages, fringe benefits, payments without deductions or rebates, withholding funds from contractors to ensure compliance with the wage provisions, and termination of the contract or debarment for failure to adhere to the required provisions.

Most HUD construction work is not covered by the DBA itself since HUD seldom contracts directly for construction services. Most often, if Davis-Bacon wage rates apply to a HUD project it is because of a labor provision contained in one of HUD’s “Related Acts” such as the U.S. Housing Act of 1937, the National Housing Act of 1949, the Housing and Community Development Act of 1974, and the National Affordable Housing Act of 1990. The Related Acts are often referred to as the Davis-Bacon and Related Acts or DBRA.

Contract Work Hours and Safety Standards Act (CWHSSA)

CWHSSA requires time and ½ pay for overtime hours (over 40 in any workweek) worked on the covered project. The CWHSSA applies to both direct and indirect Federally-assisted contracts except where the program only provides a loan guarantee or insurance. CWHSSA violations carry a liquidated damages penalty. Intentional violation of CWHSSA standards can be considered for Federal criminal prosecution. CWHSSA applies only to prime contracts over \$100,000. However, even though CWHSSA overtime pay may not be required, Fair Labor Standards Act overtime pay is probably still applicable.

Copeland Act (Anti-Kickback Act)

The Copeland Act makes it a Federal crime for anyone to require any laborer or mechanic employed on a CDBG-assisted project to kickback (rebate) any part of their wages. The Copeland Act requires every contractor and subcontractor to submit weekly certified payroll reports and regulates permissible payroll deductions. The Copeland Act applies to contracts over \$2,000.

Fair Labor Standards Act (FLSA)

The FLSA contains Federal minimum wage rates, overtime, and child labor requirements. These requirements generally apply to any labor performed. HUD refers FLSA violations to the U.S. Department of Labor (DOL), which administers and enforces FLSA.

Regulatory Provisions

The DOL has published regulations concerning Davis-Bacon and other labor laws at 29 CFR Parts 1, 3, 5, 6 and 7. These regulations contain policy guidance and instructions for all agencies in the administration and enforcement of Davis-Bacon wage and reporting requirements. These DOL regulations are available on-line at www.dol.gov/esa/regs/cfr/whdcfr.htm.¹

Contract Provisions

Each contract subject to Davis-Bacon labor standards requirements must include HUD 4010 "Federal Labor Standards Provisions" (Appendix F) and a Davis-Bacon wage decision. These documents are usually bound into the contract specifications. The labor standards clauses describe the responsibilities of the contractor concerning Davis-Bacon wages and obligate the contractor to comply with the labor requirements. The prime contractor is responsible for the full compliance of all employers (contractor, subcontractors and any lower-tier subcontractors) with the labor standards provisions applicable to the project.

The labor standards clauses also provide for remedies in the event of violations, including withholding from payments due to the contractor to ensure the payment of wages or liquidated damages which may be found. These contract clauses enable the contract administrator to enforce the Federal labor standards applicable to the project.²

The following steps provide information on bid and contract documents, contracting and construction, reviewing payrolls and correcting payroll problems.

¹ HUD. OLR. Labor Standards Administration and Enforcement Guidelines for HUD Program Participants, Labor Standards, Statutory and Regulatory Bases, Chapter 1. December 5, 2000.

<http://www.hud.gov/offices/olr/olrchap1.cfm>

² HUD. OLR. Labor Standards Administration and Enforcement Guidelines for HUD Program Participants, Labor Standards, Compliance Parameters and Reporting Requirements, Chapter 2.

<http://www.hud.gov/offices/olr/olrchap2.cfm>

Contract Provisions Steps

Step One: Bidding

- Include HUD 4010 “Federal Labor Standards Provisions” (Appendix F) in all bid and contract documents.
- Download the appropriate (residential, building, heavy, or highway) wage decision at www.access.gpo.gov/davisbacon (Browse all determinations, select Minnesota, and scroll down to Dakota County). Include the wage decision in all bid and contract documents.
- **IMPORTANT NOTE:** The “10-day lock-in rule” requires that modifications to wage decisions made 10 days or more prior to the bid opening be incorporated into bids and contracts. For example, assume you printed a wage decision on June 29, 2004 and included it in bid documents released on June 30, 2004. The wage decision included in the bid documents would be MN20030007, modification #6 dated June 18, 2004. If the bid opening was scheduled on July 15, 2004, you would check at www.access.gpo.gov/davisbacon on July 5, 2004 to see of any recent modifications. You would then see that modification #7 was released on July 2, 2005. Because modification #7 was published more than 10 days before the bid opening, it must be distributed to bidders and incorporated in the bids and contract documents.
- From the date of bid opening, the locked-in wage decision is valid for 90 days. If a contract is not awarded within 90 days of bid opening, the wage decision must be updated with recent modifications or an extension must be requested from HUD.
- Before you enter into a contract with the selected contractor, verify that the contractor is not debarred at epls.arnet.gov. Search by the contractor’s name and print the result.

Step Two: Contracting and Construction

- Include the appropriate wage decision and HUD 4010 (Appendix F) in the contract. Specify in the contract language that Davis-Bacon and Related Acts are applicable to the project and that payment will not occur until payrolls have been received and approved.
- Hold a pre-construction meeting with the prime contractor. Explain to the prime contractor that s/he is responsible for the Davis-Bacon compliance of all subcontractors.
- Distribute Department of Labor WH-347 Payroll Form (Appendix F) and certification to the contractor. Computerized payroll forms with the same information as WH-347 are acceptable. The certification, however, must be on the approved Department of Labor form (do not use State of Minnesota forms for CDBG-funded projects). Payrolls may cover only one calendar week, and certifications must be attached to each payroll.
- The prime contractor must provide a list of all subcontractors and a timeline of work.
- Post the wage decision and WH 1321 “Notice to All Employees” (Appendix F) on-site!
- Conduct employee interviews using HUD 11 “Record of Employee Interview” (Appendix F) with a representative sample of each trade working on a project. If on-

site interviews are not possible, mail HUD 4730 "Federal Labor Standards Questionnaire" (Appendix F) to employees.

Step Three: Reviewing Payrolls

- All contractors and subcontractors, including owner-operators, must submit weekly payrolls and certifications with original signature (faxed or copied signatures are not acceptable).
- Payrolls must be numbered sequentially. If contractors do not number payrolls, "no work" payrolls must be submitted for weeks that the contractor performed no on-site work. The last payroll from each contractor must be marked "Final."
- If "Other" deductions are claimed on the payroll, the contractor must define "other" in the certification (i.e. savings account or child support withholding).
- Compare payrolls with the employee interviews. Check that the labor classification on the payroll is consistent with work observed.
- Compare payrolls with the wage decision. If fringes are paid to an approved plan (see 4a or 4b on certification), wages paid must equal or exceed the base wage rate. If fringes are paid in cash, wages paid must equal the sum of base wages and fringes.
- Only apprentices registered with the Minnesota Department of Labor and Industry may be paid less than the prevailing wage rate. If an apprentice appears on a payroll, the following must be attached: (1) apprentice/journeyman ratio from the most recent collective bargaining agreement, (2) the approved MN DOL apprentice registration, and (3) the apprentice wage rates. If the same apprentice appears on subsequent payrolls, the above items do not need to be resubmitted.
- The apprentice/journeyman ratio establishes the number of apprentices in proportion to the number of journeymen that may work on-site. For example, if the ratio is 1:1, and the contractor employs five (5) apprentices and four (4) journeymen on any given day, 1 apprentice must be paid journeyman wages. The apprentice/journeyman ratio varies among trades.
- Overtime must be paid if an employee works over 40 hours at the project site during a week. Overtime rates of pay are 1 ½ times base rate plus fringe rate at straight time.

Step Four: Correcting Payroll Problems

- All communication regarding problems with payrolls should go through the prime contractor, even if the problem is with a subcontractor's payrolls. The prime contractor is ultimately responsible for compliance.
- If you determine that an employee has been underpaid, wage restitution through a correction payroll is required.
- Correction payrolls list the employee to whom restitution is due and their work classification; the total number of work hours involved; the adjustment wage rate (the difference between the required wage rate and the wage rate paid); the amount of benefits or fringes previously paid and the amount due; the gross amount of restitution due; deductions; and the net amount to be paid. A signed Statement of Compliance must be attached to the correction payroll.

DAVIS-BACON AND RELATED ACTS

- The employee who is receiving restitution wages must sign the correction payroll as evidence that he or she has received the additional payment.
- Retain payrolls for three years after project completion. Retain bid specifications, contracts, the wage decision, and correspondence with contractors at least five years after project completion.

Contact CDA staff for assistance or questions on Davis-Bacon projects!

Income Verification Process

In this chapter you will find information on the income verification process for CDBG funded activities to meet the low and moderate income person's national objective. Verification regarding low and moderate income persons is found within four categories:

- Area Benefit
- Limited Clientele
- Housing, and
- Job Creation/Retention

This chapter also contains the following information:

- Definitions of income
- Sample Format for Calculating Part 5 Annual Income – Income Inclusions
- Sample Format for Calculating Part 5 Annual Income – Income Exclusions

Income Verification Process

Some form of verification must be made in order to assure that a CDBG-funded activity meets the national objective regarding low and moderate income persons. Verification falls within these four categories: (1) area benefit, (2) limited clientele, (3) housing, and (4) job creation/retention.

Area Benefit

An area determination can be made from either Census or survey data. Either method must show that at least 51 percent of persons within an area have low/moderate incomes as determined annually by HUD. For Census determinations, an exception rate is provided, which results in areas (Census Block Areas) that have at least 42.4 percent as low/moderate income.

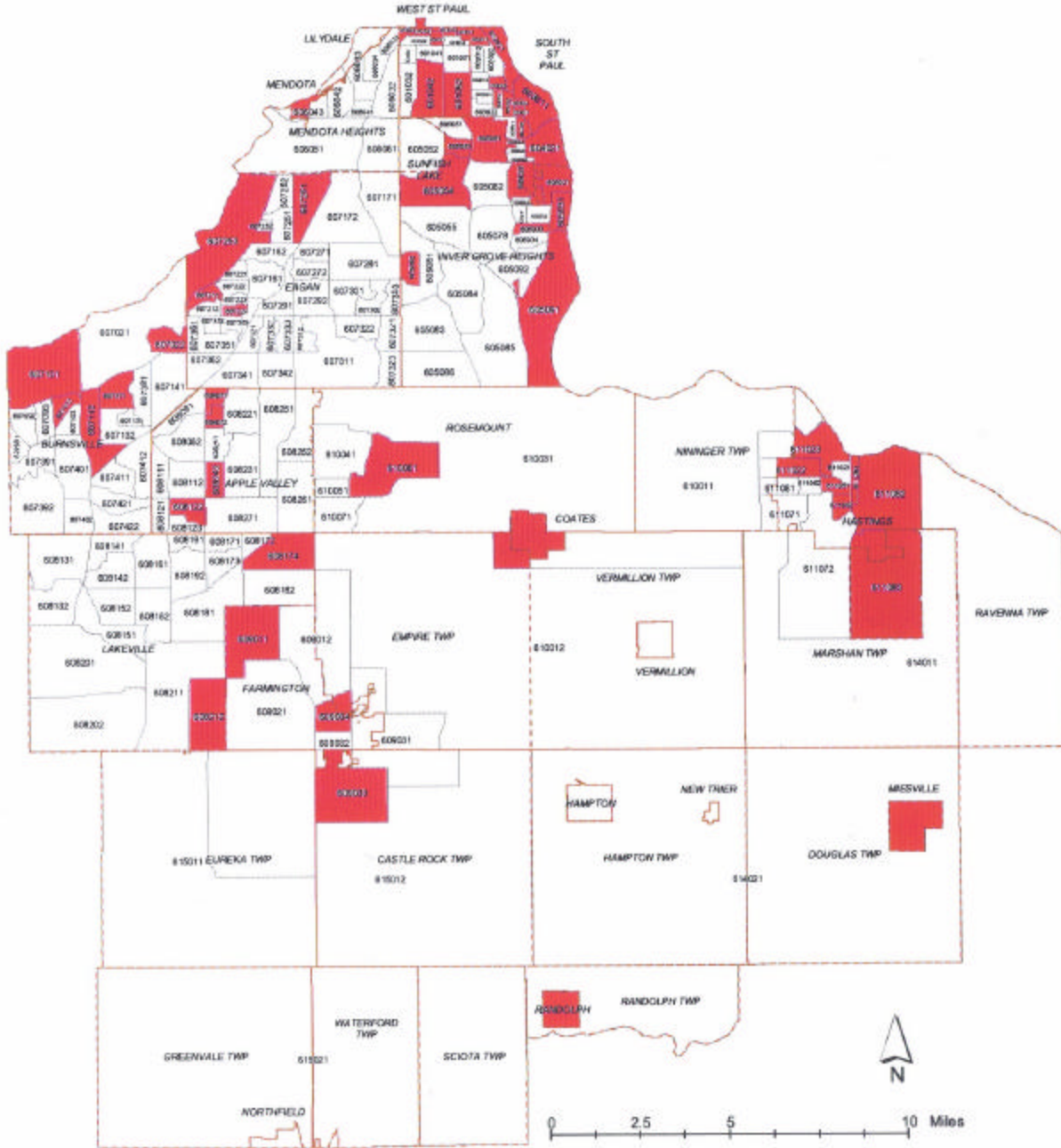
Census

The decennial U.S. Census provides income data on every Block Area within Dakota County. HUD then provides the county with a list of all areas that meet or exceed the exceptional income rate of 42.4 percent, which are then deemed to be income eligible. However, that eligible area must also be primarily residential, and the proposed activity must equally benefit all persons within that Census Block Area. An analysis must be made by the CDA and/or Subrecipient in order to assure that a proposed CDBG activity meets a Census area benefit determination. See Map 1-12 for a map of Low/Mod Census Block Areas.

Map 1-12: Low/Mod Census Block Areas

Low to Moderate Income Qualifiers

by City or Census Block Group (2000 Census)



Prepared by the Dakota County Office of GIS

Survey

A survey of an area may provide results to demonstrate that persons are primarily low/moderate income. Appropriate survey methodology must be undertaken during that process and a survey **MUST BE APPROVED BY HUD** prior to its use. The number of persons is the determining factor rather than households, so a household survey must show results based on persons within those units. A calculation is made to determine whether the 51 percent threshold is met (see Form 1-12: Low Mod Income Worksheet). The same criteria apply here regarding determinations that the area is primarily residential and that the CDBG activity equally benefits all persons within that area.

Area Benefit Verification Examples

- Installing new playground equipment in a neighborhood that meets Census qualifications; or
- Providing targeted public services to an apartment complex based on a tenant income survey.

Form 1-12: Low Mod Income Worksheet**Part A. Information Contained in Your Survey**

- | | |
|---|------------|
| 1. Enter the estimated total number of people in the target area. | <u>355</u> |
| 2. Enter the total number of people interviewed. | <u>233</u> |
| 3. Enter the total number of low and moderate income households interviewed. | <u>90</u> |
| 4. Enter the total number of persons living in the low and moderate income households interviewed. | <u>217</u> |
| 5. Enter the total number of households interviewed in which the income was above the low/mod income level. | <u>10</u> |
| 6. Enter the total number of persons living in the households in which the income was above the low/mod income level. | <u>16</u> |

Part B. Calculations Based on Data Contained in Your Survey

- | | |
|---|---------------|
| 7. Divide line 4 by line 3. This is the average size of the low/mod household you interviewed. | <u>2.41</u> |
| 8. Divide line 6 by line 5. This is the average size of the non low/mod household you interviewed. | <u>1.60</u> |
| 9. Divide line 3 by line 2. This is the proportion of households interviewed that have low/mod incomes. | <u>0.39</u> |
| 10. Divide line 5 by line 2. This is the proportion of households interviewed that do not have low/mod incomes. | <u>0.04</u> |
| 11. Multiply line 1 by line 9. This is the estimate of the total number of low/mod households in your target area. | <u>137.12</u> |
| 12. Multiply line 1 by line 10. This is the estimate of the total number of low/mod persons in your target area. | <u>15.24</u> |
| 13. Multiply line 7 by line 11. This is the estimate of the total number of low/mod persons in your target area. | <u>330.62</u> |
| 14. Multiply line 8 by line 12. This is the estimate of the total number of non-low/mod persons in your target area. | <u>24.38</u> |
| 15. Add line 13 and line 14. This is the estimate of the total number of persons in your target area. | <u>355.00</u> |
| 16. Divide line 13 by line 15 and multiply the resulting decimal by 100. This is the estimated percentage of persons in your target are who have low/mod incomes. | <u>93.13</u> |

Limited Clientele

Verification may be necessary to show that a limited number of persons meet the low/moderate income qualification. To qualify, the CDBG-funded activity must meet one of the following tests:

1. The clientele is “presumed” to be low and moderate income, including abused children, battered spouses, elderly persons, adults defined as severely disabled, homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers.
2. The clientele provides family and income information to be verified as being low and moderate.
3. The clientele participates in a CDBG-funded activity with eligibility requirements, including limits exclusively to low/moderate income persons.
4. The clientele participates in a CDBG-funded activity that by nature and location, it may be concluded that the activity’s clientele will primarily be low/moderate income persons.
5. The activity serves to remove material or architectural barriers to the mobility or accessibility of elderly persons or severely disabled adults.

Limited Clientele Verification Examples

- Providing public services at a senior center based on the “presumed” category, or
- Providing youth scholarships for community recreation events only to those who meet family income requirements.

Housing

CDBG-funded activities for the purpose of providing or improving permanent residential structures are eligible if occupied by a low/moderate income household. If a structure contains two dwellings, at least one must be so occupied, and if the structure contains more than two dwellings, at least 51 percent of the units must be so occupied. For rental housing, occupancy by low/moderate income households must be at affordable rents to qualify under this criterion. Under this category, a household is used to determine income eligibility rather than persons.

Housing Verification Example

Providing low or no-interest rehab loans to owner-occupied homes only for those households that meet income qualifications.

Job Creation/Retention

Certain economic development activities qualify when at least 51 percent of permanent jobs are created or retained on a full-time equivalent basis are low/moderate income. These jobs must be documented as either being held by, or will be available to low/moderate income persons. A person may be presumed to be low/moderate income if he/she resides within an eligible Census Block Area or an area where at least 70 percent of the residents

are low/moderate income. Otherwise, an individual income verification process must be used for the eligibility determination.

Job Creation/Retention Verification Example

Implementing an economic development revolving loan program.

Definitions of Income

When verifying a person or household's income, three methods may be used to determine income:

1. Annual income as defined in 24 CFR 5.609, referred to as "Part 5 Annual Income". This is also commonly known as the Section 8 method.
2. Annual income as reported under the Census Long Form for the most recent decennial census.
3. Adjusted gross income as defined under the IRS Form 1040 long form.

Most CDBG recipients use the first method, Part 5 Annual Income. Therefore, the following information pertains to this method only.

1. Gross income (income before any deductions have been taken) is always used to determine eligibility.
2. Income is always anticipated, meaning the amount of income expected to be received in the next twelve months.
3. Income earned from an asset (not its value) is counted in the calculation of income. An asset is cash or an item that can be converted to cash; only the cash value of an asset is counted as an asset. The anticipated income to be generated by the asset during the coming twelve months, such as interest on a savings account, is used to determine annual income.
4. Any family and non-family member of a household are counted for purposes of determining a household's annual income.
5. A "Sample Format for Calculating Part 5 Annual Income" is included for reference (Form 2-12), and the following income inclusions and exclusions tables are provided for the verification process.

INCOME VERIFICATION PROCESS

Form 2-12: Sample Format for Calculating Part 5 Annual Income

Sample Format for Calculating Part 5 Annual Income					
1. Name			2. Identification		
ASSETS					
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets		
3. Net Cash Value of Assets.....			3.		
4. Total Actual Income from Assets.....					4.
5. If line 3 is greater than \$5,000, multiply line by ____ (Pass book Rate) and enter results here; otherwise, leave blank.					5.
ANTICIPATED ANNUAL INCOME					
Family Members	Wages/ Salaries	Benefits/ Pensions	Public Assistance	Other Income	Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
Enter total of items of 6a. through 6e. This is Annual Income .					7.

Table 1-12: Sample Format for Calculating Part 5 Annual Income – Income Inclusions

<p>1. The full amount of wages, salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services (before any payroll deductions)</p> <p>2. Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness cannot be used as deductions in determining net income; however, an allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in IRS regulations. Any withdrawal of cash or assets from the operation of a business or profession is included in income, except to the extent with withdrawal is reimbursement of cash or assets invested in the operation by the family.</p> <p>3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness cannot be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5000, annual income includes the greater of the actual income derived from net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.</p> <p>4. The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (except Supplemental Security Income or Social Security).</p>	<p>5. Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation and severance pay (see paragraph 3 under Income Exclusions)</p> <p>6. Welfare assistance. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income consists of:</p> <ul style="list-style-type: none"> • The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus • The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph is the amount resulting from one application of the percentage. <p>7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling</p> <p>8. All regular pay, special day and allowances of a member of the Armed Forces.</p>
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Table 2-12: Sample Format for Calculating Part 5 Annual Income – Income Exclusions

<p>1. Income from employment of children (including foster children) under the age of 18 years.</p> <p>2. Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family who are unable to live alone).</p> <p>3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except for payments in lieu of earning - see number 5 in Income Inclusions).</p> <p>4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.</p> <p>5. Income of a live-in aide.</p> <p>6. The full amount of student financial assistance paid directly to the student or to the educational institution.</p> <p>7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.</p> <p>8. (a) Amounts received under training programs funded by HUD.</p> <p style="padding-left: 20px;">(b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self Sufficiency (PASS).</p> <p style="padding-left: 20px;">(c) Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and that are made solely to allow participation in a specific program.</p> <p style="padding-left: 20px;">(d) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as</p>	<p>resident management staff. Amounts excluded must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.</p> <p>9. Temporary, nonrecurring, or sporadic income (including gifts).</p> <p>10. Reparation payments paid by a foreign government pursuant to claims under the laws of that government by person who were persecuted during the Nazi era.</p> <p>11. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).</p> <p>12. Adoption assistance payments in excess of \$480 per adopted child.</p> <p>13. For public housing only, the earnings and benefits to any family member resulting in the participation in a program providing employment training and supportive services in accordance with the Family Support Act of 1988, Section 22 of the 1937 Act, or any comparable federal, state or local law during the exclusion period.</p> <p>14. Deferred periodic amounts from SSI and Social Security benefits that are received in a lump sum amount or in prospective monthly payments.</p> <p>15. Amounts received by the family in the form of refunds or rebates under the state or local law for property taxes paid on the dwelling unit.</p> <p>16. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.</p> <p>17. Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions apply.</p>
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Slum/Blight Verification Process

In this chapter you will find information on the verification process for the slums and blight national objective for CDBG funded activities.

Verification regarding slums and blight is found within three categories:

- Area Basis
- Spot Basis
- Urban Renewal Basis

Slum/Blight Verification Process

Some form of verification must be made in order to assure that a CDBG-funded activity meets the national objective regarding slums and blight. Verification falls within these three categories: (1) area basis, (2) spot basis, and (3) urban renewal basis.

Area Basis

A CDBG-funded activity will be considered to address the prevention or elimination of slums or blight under the following (all inclusive) conditions:

1. The delineated area must meet a definition of a slum, blighted, deteriorated or deteriorating under state or local law. Typically, this can be met if the area is defined as “redevelopment” or “renewal” under Minnesota’s tax increment statutes. It may be more difficult to use older TIF District definitions, but the use of property condition surveys under current TIF laws will work very well for this purpose.
2. Documentation must demonstrate that a substantial number of the area’s structures or public improvements are in a general state of deterioration.
3. Documentation must be maintained by the recipient on the boundaries of the area and the condition which qualified the area at the time of its designation.
4. The CDBG-funded activity must address one or more of the conditions that contributed to the deterioration of the area.

Area Basis Verification Example

Acquiring and demolishing a house located within a downtown redevelopment area.

Spot Basis

Acquisition, clearance, relocation, historic preservation and building rehabilitation activities, all of which will eliminate specific conditions of blight or physical decay, can be considered to meet this objective under a spot basis. Rehabilitation is limited to the extent necessary to eliminate specific conditions detrimental to public health and safety. The recipient should undertake the following steps to meet this objective:

1. Determine what specific conditions of a building contribute to a detriment to public health and safety. Typically, this includes a building official's written report identifying a building code violation.
2. Connect the CDBG funds directly to the work necessary to correct that building code violation. If the total rehab project goes beyond the specific code violations, then other funds must be used for that construction work.
3. It is possible to use CDBG funds for building rehab work that is part of historic preservation rather than public health and safety. The building must either be listed on the National Register of Historic Places or located within a certified Historic District.

Spot Basis Verification Example

Implementing a targeted downtown commercial rehab program.

Urban Renewal Basis

A slums and blight area may be used if a CDBG-funded activity is located within an urban renewal area or Neighborhood Development Program (NDP) pursuant to Title I of the Housing Act of 1949. However, this is typically not a designation that takes place within Dakota County.

Property Acquisition/Clearance

The slum/blight national objective is often used for property acquisition and/or clearance. If property is acquired to remove conditions of blight (assuming the property meets that definition through documentation), then the clearance is considered to be the initial use of the property. Any subsequent or redevelopment use of the property following clearance is considered to be a "change of use" under 570.505. HUD regulations require that the "end use" of the property also meet a national objective. Realistically, the low/mod income national objective is the only option for cleared property. If the "end use" of the property does not meet the low/mod income national objective, for example if the site is redeveloped with market rate housing or commercial uses, repayment of a portion of the CDBG investment is required.

If cleared property is either retained or disposed of for a non-low/mod "end use", the recipient's CDBG program must be reimbursed the current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, and improvements to, the property. The property must be sold at the current fair market value as determined by an appraisal.

Example: A city purchases a property within a redevelopment area that will be redeveloped as a mixed-use building with luxury condos and retail space. The city uses \$200,000 (CDBG) to acquire the property, and it spends another \$50,000 (non-CDBG) on demolition. Therefore, 20 percent of the total expenditure was attributed to non-CDBG funding. If the

SLUM/BLIGHT VERIFICATION PROCESS

property's fair market value as vacant, developable property is \$100,000, then the city must repay \$80,000 (80 percent) to its CDBG account as program income. Program income can be used for other CDBG-eligible activities, and it must be used first before drawing any other entitlement funds.

Table 1-13: Property Acquisition "Change of Use" Example

Property Acquisition "Change of Use" Example	
Acquisition (CDBG funds)	\$200,000 (80% of total expenditure)
Demolition (non-CDBG funds)	<u>\$50,000 (20% of total expenditure)</u>
Total expenditure	\$250,000
Sale price of cleared land	\$100,000 (FMV based on appraisal)
Repayment to CDBG program	\$80,000 (80% x \$100,000)

Note: In the above example, if the site were redeveloped as a 100-unit apartment building with 49 market rate units and 51 units affordable to households at 80 percent or less of area median income, no repayment of CDBG funds would be required.

Procurement

In this chapter you will find an overview of the Dakota County CDA Statement of Procurement Policy for procurement and contracting procedures when using CDBG program and HUD entitlement grant funds. This policy includes:

- General provisions
- Administration
- Procurement requirements, and
- Procurement methods

Dakota County CDA Statement of Procurement Policy Overview

The Dakota County CDA Statement of Procurement Policy complies with HUD's Annual Contributions Contract (ACC), HUD Handbook 7460.8 REV-1 "Procurement Handbook for Public Housing Agencies and Indian Housing Authorities," and the procurement standards of 24 CFR 85.36. This policy provides an overview of procedures for the Dakota County CDA and its subrecipients related to procurement and contracting using HUD entitlement grant funds. The following provides a summary of the Statement of Procurement Policy general provisions, procurement administration, procurement requirements, and a list of procurement methods.

General Provisions

The purpose of the Statement of Procurement Policy is to provide for the fair and equitable treatment of all persons or firms involved in purchasing by the Dakota County CDA; assure that supplies, services, and construction are procured efficiently, effectively, and at the most favorable prices available to the CDA; promote competition in contracting; provide safeguards for maintaining a procurement system of quality and integrity; and assure that CDA purchasing actions are in full compliance with applicable Federal standards, HUD regulations, and State and local laws.

The Statement of Procurement Policy applies to all contracts for the procurement of supplies, services, and construction entered into by the CDA. It applies to all expenditure of funds by the CDA for public purchasing, including contracts. The term "procurement," as used in the Statement includes both contracts and modifications for construction or services, as well as purchase, lease, or rental of supplies and equipment.

Procurement Administration

The Executive Director has authority to issue operational procedures to implement the Statement. The Executive Director or designee shall ensure that:

1. Procurement requirements are subject to an annual planning process.
2. Contracts and modifications are in writing and clearly specify desired supplies, services, or construction, and are supported by documentation of procurement history, contract type, rationale for selecting or rejecting offers, and the basis for the contract type.

3. Solicitation procedures are conducted in full compliance with Federal standards stated in 24 CFR 85.36, or State and local laws that are more stringent, provided they are consistent with 24 CFR 85.36.
4. A cost estimate is prepared before solicitation issuance and is appropriately safeguarded above the small purchase limitation and a cost or price analysis is conducted for all procurements.
5. The contract award is made to the responsive and responsible bidder offering the lowest price, or whose proposal offers the greatest value to the HRA, considering price, technical, and other factors as specified in the solicitation.
6. There are sufficient unencumbered funds available to cover the anticipated cost of all procurements before contract award or modification, work is inspected before payment, and payment is made promptly for contract work performed and accepted.
7. The CDA complies with applicable HUD review requirements, as provided in the operational procedures supplementing the Statement.

Procurement Requirements

The Dakota County CDA and its subrecipients must follow appropriate procurement requirements for any Federal funded activity. The procurement requirements include the use of responsible contractors; use of contracts suitable to procurement requirements; encouraging and ensuring open competition; resolving appeals without litigation; provide assistance to small and other business including minority-owned, women's business enterprises, labor surplus area businesses and local businesses; and avoiding conflicts of interest.

Contractor Qualification and Duties

Procurements shall be conducted only with responsible contractors, or those who have the technical and financial competence to perform and have a satisfactory record of integrity. Contracts shall not be awarded to debarred, suspended, or ineligible contractors.

Types of Contracts, Clauses, and Contract Administration

Any type of contract which is appropriate to the procurement and promotes the best interests of the HRA may be used, provided that the cost-plus-a-percentage-of-cost and percentage of construction cost methods are prohibited. All contracts shall include any clauses required by Federal statutes, executive orders, and their implementing regulations, as provided in 24 CFR 85.36, for example Davis-Bacon provisions of the United States Housing Act of 1937.

Specifications

All specifications shall be drafted to promote overall economy for the purposes intended and to encourage competition.

Appeals and Remedies

It is the CDA's policy to resolve all contractual issues informally at the CDA level, without litigation.

Assistance to Small and Other Businesses

Consistent with Presidential Executive Orders 11625, 12138, and 12432, and Section of the HUD Act of 1968, the CDA shall make efforts to ensure that small and minority-owned

businesses, women's business enterprises, labor surplus area businesses and local businesses are used when possible.

Ethics in Public Contracting

The CDA shall adhere to the code of conduct in Minnesota Statutes Chapter 10, Ethics in Government or local law. No CDA employee, officer or agent shall participate directly or indirectly in the selection or in the award or administration of any contract if a conflict occurs.

Procurement Methods

The Dakota County CDA and its subrecipients shall use the following procurement methods. .

The conditions for use of the procurement methods include:

1. Small purchases not exceeding \$50,000 dollars may be made in accordance with small purchase procedures. Small purchases under \$100 may be processed through the petty cash account. Small purchases of less than \$2,500 need only one solicitation, while purchases greater than \$2,500 need three price quotations.
2. Sealed bidding contracts shall be awarded if the following conditions are present: a complete, adequate, and realistic specification or purchase description is available; two or more bidders are present; the procurement lends itself to a firm fixed price contract; and the selection of the successful bidder can be made principally on the basis of price.
3. Competitive proposals may be used if there is an adequate method of evaluating technical proposals and where the CDA determines that conditions are not appropriate for the use of sealed bids.
4. Noncompetitive proposals shall be conducted competitively to the maximum extent possible and may be used when the award of a contract is not feasible or required using small purchase procedures, sealed bids, or competitive proposals or another requirement applies as listed in the Statement.
5. Cost and price analysis shall be performed for all procurement actions, including contract modifications. The method of analysis is described in detail in the Statement.
6. Cancellations of solicitation, or an invitation for bids, request for proposals, or other solicitation methods may be cancelled before offers are due if the CDA no longer requires the supplies, services or construction; the CDA can no longer reasonably expect to fund the procurement; or similar reasons.
7. Cooperative purchasing may occur between the CDA and State and local governments through an intergovernmental agreement to purchase or use common goods and services.¹

¹ HUD. CPO. 24 CFR PART 85 Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments – PROCUREMENT - 2001 Edition. June 25, 2004. <http://www.hud.gov/offices/cpo/grantees/cfr8536.cfm>

Voluntary Acquisition Policy

In this chapter you will find information on the Dakota County CDA Voluntary Acquisition Policy, including

- Purpose of the policy
- Definition of voluntary acquisition
- Policy procedures
- Relocation benefits
- Property fair market value, and
- Property negotiation

Voluntary Acquisition Policy

Purpose

The purpose of this policy is to establish procedures to be followed by the Dakota County Community Development Agency and its subrecipients when using Community Development Block Grant (CDBG) or HOME Investment Partnerships (HOME) funds to acquire real property from property owners on a voluntary basis. Any property acquisition made with CDBG/HOME funds that cannot or does not follow the procedures established here shall not be considered to be a voluntary acquisition, and must be made following all requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act) and the implementing requirements of 49 CFR Part 24.

Definition of Voluntary Acquisition

In order to qualify as a Voluntary Acquisition, a transaction to acquire real property must meet the requirements found at 49 CFR Part 24.101(a) (1). These are:

1. No specific property or site needs to be acquired, although property within a specific geographic area may be sought for acquisition. All property owners will be treated similarly in seeking property for acquisition within an area.
2. The property to be acquired is not part of an intended, planned, or designated project area within which all or substantially all property is to be acquired within specific time limits.
3. No property will be acquired in the event that negotiations fail to result in an amicable agreement, and the property owner is so informed in writing.
4. The property owner shall be informed of the amount the Agency believes to be the Fair Market Value of the property, and the basis for this determination.

Procedures to be Followed

Generally, the following procedures will be followed in all Voluntary Acquisition projects:

1. As soon as possible after initial contact with a property owner, whether this contact was initiated by the owner or by the Agency, the owner will be provided a Disclosure by the acquiring agency outlining the procedures to be followed, and including the defining conditions of the transaction, as expressed above. A copy of this Disclosure, signed by the property owner, will be maintained in the project file.

2. The Agency will inspect the property, to determine whether it meets the purposes of the Voluntary Acquisition Program, and to verify its occupancy characteristics. A record of the results of this inspection will be maintained in the project files.
3. The Agency will expeditiously determine what it believes to be the Fair Market Value of the property, and inform the owner of this amount and the method by which it was determined, in its Offer to Purchase.
4. If the amount of the Agency's Offer differs from the amount established as the Fair Market Value of the property, or this amount changes as a result of negotiations with the property owner, the basis for the new amount shall be explained in the project files. This explanation shall include reasons why the Agency considers the new amount both fair compensation for the property owner and a reasonable acquisition cost within the Agency's financial management procedures.
5. A Purchase Agreement or comparable document will be executed between the Agency and the property owner, which will include provisions reiterating the voluntary nature of the acquisition.

Relocation Benefits

Owner-Occupants

In a Voluntary Acquisition from an owner-occupant, no Relocation Benefits as defined in the Uniform Act need be provided. However, this does not prevent the Agency from assisting an owner-occupant in locating or identifying replacement housing opportunities if such assistance meets the goals of the Voluntary Acquisition Program, and all owners affected by the Program are offered this assistance. Relocation assistance offered to owner-occupants will be limited to such advisory services.

Renters

In a Voluntary Acquisition from the owner of a rental property that has been legally occupied by renters at any time during the period 90 days prior to the initial contact with the property owner up to the date of the closing of the acquisition transaction between the property owner and the Agency, Relocation Benefits as required by the Uniform Act shall be provided to the renters by or under the supervision of the acquiring agency. All notices and assistance outlined in the Uniform Act and the implementing regulations shall be provided to the renters by the acquiring agency or its designated agents. No tenants shall be required to move unless such notices and benefits have been provided. Documentation that these requirements have been met shall be maintained in the project files.

Fair Market Value

The Fair Market Value of property to be acquired under a Voluntary Acquisition Program shall be established in a consistent manner for similar acquisition projects, and shall be done in a manner that ensures that property owners are given fair compensation for their property, while meeting the procurement requirements for federally-assisted transactions, which dictates that the cost of the acquisition be necessary and reasonable for the proper and efficient performance and administration of the federal funding awarded.

Information used to make a determination of the Fair Market Value of a property can be supplied by the property owner, if its source and reliability can be verified. The basis for the Fair Market Value determination must be clearly explained in the project files, provided to

the property owner, and supported by appropriate documentation. Above all, determinations of Fair Market Value must be made in a consistent manner.

Generally, Fair Market Value in a Voluntary Acquisition should coincide with the standard definition of Market Value in modern real estate practice: the most probable price which a property could bring in competitive and open market under all conditions requisite to a fair sale, assuming that both buyer and seller act knowledgeably and prudently and the price is not affected by undue stimulus, and adequate time is allowed for exposure to the open market. Many factors can be considered in determining the fair market value of property to be acquired. These may include:

1. The most recent County Assessor's Market Value for the property. If this is considered to be inaccurate, the file should contain a statement as to why it is inaccurate, and the degree to which it is considered to be inaccurate.
2. Appraisal of the property. The type of appraisal used to determine the Fair Market Value of a property may be dependent on the type of property to be valued, as well as other factors. The project file should include an explanation of the selection process for a property appraisal.
3. A recent Broker's Opinion of Value. The qualifications of the person providing the opinion should be provided.
4. Know recent sales of comparable properties. In order to be considered to be comparable, properties should be in the same general area, be similar in size, age, and condition, and the terms of the sale should be known, so as to determine that the sale was an "arm's-length" transaction. If the actual sales prices of comparable properties used to determine the fair market value of a property are adjusted, a qualified appraiser should either make or review these adjustments.
5. Verifiable, bona fide competing offers to purchase the same property under the same terms and conditions as offered by the Agency.

Negotiation

A key factor in carrying out a Voluntary Acquisition Program is the ability of both the Agency and the property owner to freely negotiate over the final acquisition price of the property. The Agency must always be mindful of its obligations to pay no more than is reasonable and necessary for a property, but may adjust its determination of the Fair Market Value of a property in response to the negotiation process. Such adjustments must be clearly documented in the project files. Some factors in making an adjustment in the FMV of a property may include, but not be limited to:

1. New or corrected information that was not considered in the original determination of Fair Market Value provided by the property owner or discovered by the Agency.
2. A difference between the asking price of the owner and the FMV established by the Agency that is equal to or less than 10 percent of the established FMV.
3. There are legitimate time considerations which affect the reasonableness of the price to be paid to the property owner. These might include seasonal considerations, activities ready to be carried out on adjacent or nearby properties, the amount of time elapsed since the initial determination of FMV, or other factors.
4. Concessions on the part of the property owner that impact on the overall cost or feasibility of the project.
5. Availability of alternative sources of funding for the particular acquisition.

6. Considerations relating to the impact of the acquisition on the neighborhood or on community goals and resources.

Documents

The documents of this Policy are found in Form 1-15 (Sample Voluntary Acquisition Disclosure Form) and Form 2-15 (Sample Offer to Purchase/Statement of Fair Market Value) and are intended to be used as templates or guide forms. The actual documents used by the Agency or its subrecipients may differ in format or total content. However, the essential content and meaning of any document used should be equivalent to that of the documents here attached. The Dakota County CDA reserves the right to review and approve any document used by its subrecipients under the CDBG/HOME Program in carrying out a Voluntary Acquisition Program.

An alternative document template for these two attachments is found at Exhibit 5-1 in the Handbook #1378 available from the U.S. Department of Housing & Urban Development providing guidance in implementation of the Uniform Act (http://www.hudclips.org/sub_nonhud/cgi/hudclips_run.cgi?hudclips_run).

Form 1-15: Sample Voluntary Acquisition Disclosure Form

Dakota County Community Development Agency is initiating negotiations with _____, the owner(s) of a property located at _____, for purposes of acquiring the property. The CDA hereby makes the following disclosures regarding this proposed acquisition:

1. This proposed acquisition is not a part of a project for which a specific site or property needs to be acquired. While the CDA may negotiate for the acquisition of various properties within a specified geographic area, it will treat all property owners similarly in determining which properties to acquire.
2. The property referenced above is not part of an intended, planned, or designated project area where all or substantially all of the property within the area is to be acquired within specific time limits.
3. The acquisition of the property is to a voluntary transaction on the parts of both the Seller and the CDA. If negotiations fail to produce an agreement for acquisition of the property that is acceptable to both parties, the transaction will not take place.
4. The CDA will inform the Owner of the referenced property of the amount it considers to be the Fair Market Value of the property, and the method by which it made the determination of the Fair Market Value.

The undersigned hereby certifies that they received this disclosure on the date signed, that it was explained to them, and that they understand it fully.

Owner Signature

Date Signed

Owner Signature

Date Signed

Form 2-15: Sample Offer to Purchase/Statement of Fair Market Value

Date

Property Owner Name
Address

RE: Offer to Purchase-Voluntary Acquisition Program

Dear _____ :

The Dakota County Community Development Agency is prepared to make an offer to purchase the property you own at (address /legal description of property to be acquired) under the CDA's Voluntary Acquisition Program. This offer is made under the terms and conditions more fully described in the attached Purchase Agreement. Please read the Purchase Agreement carefully, and contact me with any questions or comments.

This offer to purchase is made in the amount that the CDA considers to be the Fair Market Value of the property, which is \$ (give offer amount here). We determined this Fair Market Value based on (explain basis for FMV determination; for example, Assessor's Market Value, appraisal, etc.). If you do not agree that this amount represents the Fair Market Value for the property, you may provide the CDA with information supporting a different value, or simply make a counter-offer. Remember, this offer is based on your voluntarily selling your property to the CDA. **If we can not agree on a price for the property that is acceptable to both parties to the proposed transaction, we will not acquire the property.**

This offer is also made to you contingent on the fact that you are the owner-occupant of the property, and that there have been and will be no legal tenants of the property other than yourself and your family during the period of time beginning (date at least 90 days prior to first contact with owner) up to and including the date of closing. If this is not the case, this offer is null and void.

Please contact me at (telephone number, address) to discuss this offer. If you wish to accept the offer, please sign the enclosed Purchase Agreement and one copy of this letter, and return both to me.

Sincerely,

Property owner acknowledgement of receipt:

I, (property owner name) received this Offer to Purchase on _____. I have read it and fully understand its contents.

Signature: _____

Performance Measurement

In this chapter you will find information on Performance Measurement Systems including:

- Overview of Performance Measurement Systems
- Three criteria Performance Measurement Systems must contain
- Components and outcomes of Performance Measurement Systems, and
- An example of a Program Outcome Model

Performance Measurement Systems

Performance Measurement Systems originate from the 1974 Housing and Community Development Act, Section 104(e), and the 1993 Government Performance Results Act (GPRA), which requires Federal agencies, including HUD, to develop project performance plans and reporting. HUD recommends reviewing Formula Grant Programs with Performance Measurement Systems, which include measurable indicators that are systematically tracked to assess progress of predetermined program and activity goals.

Overview

The 2003 HUD Community Planning and Development Notice 03-09 “Development of State and Local Performance Measurement Systems for Community Planning and Development (CPD) Formula Grant Programs” describe the purpose and goals of Performance Management Systems (<http://access.adobe.com/perl/convertPDF.pl?url=http://www.hud.gov/offices/cpd/lawsregs/notices/2003/03-09.pdf>).

Performance Measurement Systems Criteria

HUD strongly encourages CDBG program grantees, including Dakota County, to develop and use a state or local performance measurement system. Performance Measurement Systems must include three criteria:

1. A description of the method to measure outputs and outcomes of CDBG programs listed in Consolidated Plan or Annual Action Plan
2. A description of the Performance Measurement System in the self-evaluation component of the Consolidated Annual Performance and Evaluation Report (CAPER)
3. A Checklist of items including:
 - A. long-term (multi-year) goals/ objectives
 - B. short-term (annual) goals/ objectives
 - C. expected units of accomplishments upon completion of project/ activity
 - D. actual units of accomplishment upon completion of project/ activity
 - E. expected units of accomplishment during each program year of the project/ activity
 - F. actual units of accomplishment during each program year of the project/ activity

- G. aggregation of actual units of program year accomplishments to short-term and long-term numeric goals/ objectives
- H. outputs resulting from HUD funding are shown separately
- I. one or more proposed outcome(s) ___ Yes ___ No
If so, which indicator is used?
- J. one or more actual outcome(s) ___ Yes ___ No
If so, which indicator is used?

Performance Measurement Systems Components

The steps involved in developing a performance measurement system are shown in Table 1-16 "Program Outcome Model," which demonstrates the relationship between goals, inputs, activities, outputs, and outcomes. These concepts are defined below. Although this model uses housing rehabilitation as the example, the same process can be applied to any activity to measure performance.

- Goals are the proposed solutions to problems or needs identified by the grantee during the consolidated planning process.
- Inputs include resources dedicated to or consumed by the program such as money, staff, equipment, and supplies.
- Activities are what the program does with inputs to fulfill its mission. Activities include the strategies, techniques, and types of treatment that comprise the program's production process or service methodology.
- Outputs are the direct products of a program's activities. They are usually measured in terms of the volume of work accomplished, such as number of low-income households served, number of loan applications processed, number of units constructed or rehabilitated, linear feet of curbs and gutters installed, or numbers of jobs created or retained.
- Outcomes are benefits that result from a program. Outcomes typically relate to a change in conditions, status, attitudes, skills, knowledge, or behavior. Common outcomes could include improved quality of life for program participants, improved quality of local housing stock, or revitalization of a neighborhood.

Measuring Outcomes

To measure outcomes, grantees should select indicators that relate to the local goals established in their Consolidated Plans. Below is a list of common indicators that can be used to measure performance. Grantees are encouraged to develop performance measurement systems that contain at least one of these indicators. However, grantees are not restricted to using only the indicators listed. Grantees may prefer to also show the results of other activities that are important to them.

1. Suitable Living Environment / Neighborhood Revitalization
 - A. Increase in property values, or home sales prices as a result of a series of coordinated neighborhood activities
 - B. Reduction in derelict properties and other blighting influences as a result of code enforcement, acquisition, demolition or rehabilitation
 - C. Decrease in numbers of children with elevated blood lead levels
 - D. Increase in the supply of potable water or adequate wastewater management systems due to infrastructure installation or upgrades

- E. Increase in emergency vehicle access because of infrastructure improvements
 - F. Number and/ or percent of housing units assisted that have eliminated at least one significant health and safety deficiency as a result of housing rehabilitation, defined by local codes
- 2. Affordable Housing
 - A. Percent increase in the homeownership rate in targeted neighborhoods or in the community overall
 - B. Dollar increase in property values as a result of housing rehabilitation
 - C. Number of unit years of affordability in rental projects, based on the investment of HOME dollars
 - D. Percent of reduction of energy use or energy costs as a result of housing rehabilitation using ENERGY STAR building standards
 - 3. Economic Revitalization/ Economic Opportunities
 - A. Increase in numbers of jobs and/ or the number of "living wage" jobs
 - B. Decrease in abandoned or non-revenue producing properties --Increased annual income as a result of employment or job training
 - C. Increased business sales volume in revitalized neighborhoods --Increased number of small business loans in targeted neighborhood
 - 4. Ending Chronic Homelessness
 - A. Decrease in the number of chronically homeless individuals in the community, by not less than 50 percent, by FY 2008
 - B. Housing Opportunities for Persons With AIDS
 - C. Increase in the percentage of HOPWA clients who are able to maintain housing stability, avoid homelessness, and access care

If an activity uses multiple funding sources, it will be necessary to show the outputs resulting from HUD funding separately. However, outcomes resulting from HUD sources need not be shown separately because, depending on local program design, the outcomes may be affected by many other factors.

Table 1-16: Program Outcome Model for an Owner Occupied Rehabilitation Project

Program Outcome Model for an Owner Occupied Rehabilitation Project				
Goals ⇨	Inputs ⇨	Activities ⇨	Outputs ⇨	Outcomes
Proposed solutions to problems or needs identified in the Consolidated Plan.	Resources dedicated to or consumed by the program	What the program does with the inputs to fulfill its mission	The direct products of program activities	Benefits that result from the program
<ul style="list-style-type: none"> • Preserve existing housing stock • Increase property values/tax base • Improve neighborhood stability 	<ul style="list-style-type: none"> • Money • Staff/Staff time • Contractors • Facilities • Equipment 	<ul style="list-style-type: none"> • Intake/loan screen • Initial inspection • Verify contractor eligibility & cost reasonableness • Prepare construction specifications • Underwrite Loans • Loan approval • Progress Inspections 	<ul style="list-style-type: none"> • Number of customers served • Number of loans processed • Number of homes rehabilitated 	<ul style="list-style-type: none"> • Increased percentage of housing units that are standard • Improved quality of life for program participants • Revitalization of the neighborhood

Resources

- The Consolidated Plan Improvement Initiative website "library" provides links to some states and local governments, as well as organizations, studies, and performance measurement systems used by other federal agencies. This site also provides examples of information that may be helpful in making consolidated plans more useful and results-oriented. www.hud.gov/offices/cpd/about/conplanimprovement/library/index.cfm.
- "Measuring Up: A Practical Approach to Measuring Productivity and Performance in HOME Programs" prepared by ICF Consulting for HOME Training, details found at: www.icfhosting.com/hcd/cpd/hcdcpd.nsf/webpages/MeasuringUpDesc.html, is a two-day training program that provides valuable information for developing performance measurement systems. It is also anticipated that the training manual will soon be posted on the HOME program website.¹

¹ HUD. Notice CDP -03 -09, "Development of State and local Performance Measurement Systems for Community Planning and Development (CPD) Formula Grant Programs." September 2003. <http://access.adobe.com/perl/convertPDF.pl?url=http://www.hud.gov/offices/cpd/lawsregs/notices/2003/03-09.pdf>

Monitoring

In this chapter you will find information on monitoring of CDBG programs and activities in Dakota County, including a sample or an example of a CDBG Program Monitoring Checklist.

Program monitoring is an important part of the overall CDBG Program management system. Monitoring is HUD's way to assure that program requirements are met, and that various levels of program administration are effective. In Dakota County, three levels of CDBG on-site monitoring should be done, including: (1) HUD monitoring the CDA, (2) the CDA monitoring Subrecipients, and (2) Subrecipients monitoring its Subrecipients. Although no specific requirements exist for the frequency of on-site monitoring, once a year would be desirable, and once every three years would be necessary as a minimum level.

Risk analysis also becomes part of the overall program monitoring system, which will help the CDA identify those Subrecipients that may need an on-site monitoring visit. A risk analysis involves a review of each Subrecipient in areas such as (1) funding of activities, (2) progress for completing activities, (3) staff capacity and changes, (4) prior non-compliance issues, (5) audit findings, and (6) date from last on-site monitoring visit. The CDA will implement a comprehensive risk analysis system in Dakota County.

The Dakota County CDA may schedule on-site monitoring of Subrecipients at any time. The purpose of these visits is to review progress, identify problem areas and help find solutions. The visit may either be for the purpose of evaluating the program in a comprehensive manner, or assessing the performance of a specific activity or area. The CDA intends to monitor a Subrecipient activity at least once every three years (during the period covered under the Cooperation Agreement).

CDA staff will generally use a monitoring checklist, such as the sample in Form 1-17, to complete an on-site visitation process. A monitoring letter will then be sent to the chief elected official outlining any deficiencies. A deficiency is an instance of non-performance with requirements set forth in the annual Subrecipient Agreement. Examples of deficiencies include the following:

- Failure to comply with federal requirements, such as fair labor standards.
- Failure to submit reporting requirements (i.e., quarterly progress reports).
- Failure to execute planned activities in accordance with the Subrecipient Agreement, including progress in a timely manner.
- Failure to obtain necessary amendments from the CDA for program/budget changes.
- Failure to substantiate national objective compliance for CDBG activities.
- Failure to resolve audit findings.

The overall objective of the monitoring process is to improve the performance of the CDBG Program. Monitoring may result in additional training needs of staff, or it may result in changing one non-performing activity to another activity. The CDA plays an obvious key role in making sure that all Subrecipients have the necessary tools to successfully administer the CDBG Program.

Form 1-17: Sample CDBG Program Monitoring Checklist

Monitor _____

Date: _____

Project Name: _____

Contact Name: _____

Contact Number: _____

Total Budget: _____

Total Expended: _____

Date of Environmental: _____

TIMELINESS

When did the project begin? How long has it taken to get to the current stage?

What stage is the activity currently in? (e.g. design, bid, construction, etc.)

Is the project on schedule? If not, what is the new schedule and completion date?

What obstacles to timely completion have been identified and what are the recommendations?

NATIONAL OBJECTIVE COMPLIANCE

Low/Mod Income Area

What records show as the service area for this activity, and what was used to determine its eligibility (e.g., census or survey)?

Does the size of the service are appear reasonable given the nature and scope of the activity?

? Yes ? No

If no, explain.

Is the service are primarily residential?

? Yes ? No

Identify the census block groups: _____

Total number of low/mod residents in this area: _____

Percentage of low/mod residents in service are: _____%

If a survey was used, record the date which the income of residents of the service area was determined: _____

Was the survey instrument and methodology reviewed by HUD and approved to meet the standards of statistical reliability?

? Yes ? No

Low/Mod Income Limited Clientele

What documentation is in the project file that shows?

The activity is limited to a segment of the population presumed to be low-moderate income persons by HUD (e.g. abused spouses, handicapped, illiterate persons, etc).

At least 51% of the beneficiaries are members of a low-moderate income family.

Based on nature/location of activity, at least 51% of the beneficiaries are low-moderate incomes.

Were appropriate income limits used when checking beneficiaries?

? Yes ? No

Low/Mod Income Housing

For buildings not yet occupied, is there a written agreement with the landlord or developer receiving CDBG assistance indicating the total number of dwelling units in each structure and the total number of units that will be occupied by low-moderate income households once the assisted activity is completed?

? Yes ? No

If no, how will the project manager ensure that the building will comply?

For single family structures, what evidence demonstrates that each unit assisted is occupied by a low-moderate income household?

For multi-family housing, identify which of the following applies:

- ? Two-unit structure: minimum of one unit occupied by low-mod household.
- ? More than two units: at least 51% of the units are occupied by low-moderate households.
- ? Non-elderly, multi-family, new rental housing construction: the low-mod occupancy rate is at least 20%.

If the activity is for acquisition of property on which there are no structures, what evidence is there of commitments ensuring that the criteria will be met after the structure is built?

For rental housing, does documentation show that rents charged meet standards for occupancy by a low-moderate household in each structure?

? Yes ? No

For rental housing, is there a copy of the affordable rents policy adopted by the grantee for rental units occupied by low-moderate households?

? Yes ? No

Were appropriate income limits used to ensure income limits compliance?

? Yes ? No

FINANCIAL MANAGEMENT

Does the program identify expenditures with respect to the grant program?

? Yes ? No

If funded more than one year, does the program identify expenses by specific grant years?

? Yes ? No

If revenue generating or potential revenue generating activities are being undertaken, does the program have a system for recording program income into a revenue account?

? Yes ? No

Is there a written control policy for expenditures?

? Yes ? No

Are duties separated so that no one individual has complete authority over an entire financial transaction?

? Yes ? No

Are all expenditures supported by invoices, contracts, purchase orders, etc?

? Yes ? No

Payment Request Dates

PROCUREMENT

Formal Bids

Was there at least two or more responsible bids?

? Yes ? No

Was the bid advertised in an appropriate publication?

? Yes ? No

Name of publication and date of publication: _____

Date bid was opened publicly: _____

Is there a bid tab?

? Yes ? No

Was the contract awarded to the lowest responsible and responsible bidder?

? Yes ? No

Competitive Proposals

Does the Request for Proposal (RFP) state clearly and accurately the technical requirements for the goods or services to be procured?

? Yes ? No

Are the proposals solicited from an adequate number of qualified sources, consistent with the nature and requirements of procurement?

? Yes ? No

Was the award granted to the most responsive and responsible offer whose proposal will be most advantageous to the grantee after price and other factors considered?

? Yes ? No

Are the contract provisions listed in 24 CFR 85.36 (1) appropriately included in the grant assisted contracts?

? Yes ? No

Small Works Contracts

Is there documentation the receipt of adequate number of price or rate quotations from qualified sources for procurement under \$25, 000?

? Yes ? No

LABOR STANDARDS COMPLIANCE

Is there designated staff to ensure compliance with labor standards requirements?

? Yes ? No

Name:

Is there a labor standards enforcement file for each construction project?

? Yes ? No

Is there evidence of the construction start date(s)?

? Yes ? No

Is there a Contract award letter?

? Yes ? No

Were bid specifications with labor standards included in the Contract?

? Yes ? No

Does the file include Preconstruction Conference minutes?

? Yes ? No

Are there records of employee interviews and payroll reviews?

? Yes ? No

CDBG ASSISTED SUBRECIPIENT PROGRAMS

Is there a program description in place?

? Yes ? No

Is there an official program policy and procedures document approved by the Subrecipient?

? Yes ? No

List program policies and corresponding approval dates:

Who administers these programs?

If administered by another agency, is there a Subrecipient Agreement with that organization?

? Yes ? No¹

¹ City of Vancouver, Washington. Monitoring Checklist.
<http://www.ci.vancouver.wa.us/chservices/cdbg/Resources/CDBG%20Program%20Monitoring%20Checklist%202003.doc>.

Appendix A

DEFINITIONS

Act means Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301 et seq.).

Adjusted age of housing means the arithmetic product of the age of housing in the metropolitan city or urban county multiplied times the adjustment factor.

Adjustment factor means the ratio between the age of housing in the metropolitan city or urban county and the predicted age of housing in such city or county.

Age of housing means the number of year-round housing units, as further defined in section 102(a)(11) of the Act. The number of existing housing units constructed in 1939 or earlier based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

Applicant means a State, unit of general local government, or an Indian tribe which makes application pursuant to the provisions of subparts E, F, G or M.

Buildings for the general conduct of government shall have the meaning provided in section 102(a)(21) of the Act. City halls, county administrative buildings, State capitol or office buildings, or other facilities in which the legislative or general administrative affairs of the government are conducted. Such term does not include such facilities as neighborhood service centers or special purpose buildings located in low- and moderate-income areas that house various nonlegislative functions or services provided by government at decentralized locations

CDBG funds means Community Development Block Grant funds, including funds received in the form of grants under subpart D, F, or 570.405 of this part, funds awarded under section 108(q) of the Housing and Community Development Act of 1974, loans guaranteed under subpart M of this part, urban renewal surplus grant funds, and program income as defined in 570.500(a).

Chief Executive Officer of a State or unit of general local government means the elected official or the legally designated official, who has the primary responsibility for the conduct of that entity's governmental affairs. Examples of the "chief executive officer" of a unit of general local government are: the elected mayor of a municipality; the elected county executive of a county; the chairperson of a county commission or board in a county that has no elected county executive; and the official designated pursuant to law by the governing body of unit of general local government.

City means the following:

- I. Any unit of general local government which is classified as a municipality by the United States Bureau of the Census or,

- II. Any other unit of general local government which is a town or township and which, in the determination of the Secretary,
 - A. Possesses powers and performs functions comparable to these associated with municipalities,
 - B. Is closely settled, and
 - C. Contains within its boundaries no incorporated places as defined by the United States Bureau of the Census which have not entered into cooperation agreements with such town or township to undertake or to assist in the undertaking of essential community development and housing assistance activities.

Community-based Development Organizations (CBDO's) are generally nonprofit organizations that undertake specific kinds of CDBG-funded activities. CBDO's can be for-profit or nonprofit organizations, but cannot be government entities. A CDBO may be a subrecipient.

Community Development Financial Institution has the same meaning as used in the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4701 note).

Consolidated plan. The plan prepared in accordance with 24 CFR part 91, which describes needs, resources, priorities and proposed activities to be undertaken with respect to HUD programs, including the CDBG program. An approved consolidated plan means a consolidated plan that has been approved by HUD in accordance with 24 CFR part 91.

Contractors are an entity paid with CDBG funds in return for a specific service (e.g. construction). Contractors must be selected through a competitive procurement process.

Draw down refers to the process of requesting and receiving CDBG funds. Grantees draw down funds from a line of credit established by HUD, while subrecipients typically draw down funds from grantees.

Discretionary grant means a grant made from the various Special Purpose Grants in accordance with subpart E of this part.

Entitlement City or County means a city with a population of 50,000, a central city of a metropolitan area, or an urban county with a population of at least 200,000 that receives an annual allocation of CDBG funds directly from HUD under the CDBG Entitlement Program.

Entitlement amount means the amount of funds which a metropolitan city is entitled to receive under the Entitlement grant program, as determined by formula set forth in section 106 of the Act.

Extent of growth lag shall have the meaning provided in section 102(a)(12) of the Act. The number of persons who would have been residents in a metropolitan city or urban county, in excess of the current population of such metropolitan city or urban county, if such metropolitan city or urban county had had a population growth rate between 1960 and the date of the most recent population count referable to the same point or period in time equal to the population

growth rate for such period of all metropolitan cities. Where the boundaries for a metropolitan city or urban county used for the 1980 census have changed as a result of annexation, the current population used to compute extent of growth lag shall be adjusted by multiplying the current population by the ratio of the population based on the 1980 census within the boundaries used for the 1980 census to the population based on the 1980 census within the current boundaries.

Extent of housing overcrowding shall have the meaning provided in section 102(a)(10) of the Act. The number of housing units with 1.01 or more persons per room based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

Extent of poverty means the number of persons whose incomes are below the poverty level based on data compiled and published by the United States Bureau of the Census available from the latest census referable to the same point or period in time and the latest reports from the Office of Management and Budget. For purposes of this part, the Secretary has determined that it is neither feasible nor appropriate to make adjustments at this time in the computations of "extent of poverty" for regional or area variations in income and cost of living.

Family means all persons living in the same household who are related by birth, marriage or adoption.

Federal grant-in-aid program means a program of Federal financial assistance other than loans and other than the assistance provided by this chapter.

Grantees are entitlement communities, or grantees, that administer local CDBG programs in accordance with program requirements. Many communities use subrecipients to administer portions of their CDBG programs.

Household

Means all the persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing stock means the number of existing housing units based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

HUD means the Department of Housing and Urban Development.

Income. For the purpose of determining whether a family or household is low- and moderate-income under subpart C of this part, grantees may select any of the three definitions listed below for each activity, except that integrally related activities of the same type and qualifying under the same paragraph of 570.208(a) shall use the same definition of income. The option to choose a definition does not apply to activities that qualify under 570.208(a)(1) (Area benefit activities), except when the recipient carries out a survey under 570.208(a)(1)(vi). Activities qualifying under 570.208(a)(1) generally must use the area income data supplied to recipients by HUD. The three definitions are as follows:

1.
 - I. Annual income as defined under the Section 8 Housing Assistance Payments program at 24 CFR 813.106 (except that if the CDBG assistance being provided is homeowner rehabilitation under 570.202, the value of the homeowner's primary residence may be excluded from any calculation of Net Family Assets); or
 - II. Annual Income as reported under the Census long-form for the most recent available decennial Census. This definition includes:
 - A. Wages, salaries, tips, commissions, etc.;
 - B. Self-employment income from own nonfarm business, including proprietorships and partnerships;
 - C. Farm self-employment income;
 - D. Interest, dividends, net rental income, or income from estates or trusts;
 - E. Social Security or railroad retirement;
 - F. Supplemental Security Income, Aid to Families with Dependent Children, or other public assistance or public welfare programs;
 - G. Retirement, survivor, or disability pensions; and
 - H. Any other sources of income received regularly, including Veterans' (VA) payments, unemployment compensation, and alimony; or
 - III. Adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 for individual Federal annual income tax purposes.
2. Estimate the annual income of a family or household by projecting the prevailing rate of income of each person at the time assistance is provided for the individual, family, or household (as applicable). Estimated annual income shall include income from all family or household members, as applicable. Income or asset enhancement derived from the CDBG-assisted activity shall not be considered in calculating estimated annual income.

Indian tribe shall have the meaning provided in section 102(a)(17) of the Act. Any Indian tribe, band, group, and nation, including Alaska Indians, Aleuts, and Eskimos, and any Alaskan Native Village, of the United States, which is considered an eligible recipient under the Indian Self-Determination and Education Assistance Act (Public Law 93-638) [25 U.S.C. 450 et seq.] or was considered an eligible recipient under chapter 67 of title 31 prior to the repeal of such chapter.

Low- and moderate-income household means a household having an income equal to or less than the Section 8 low-income limit established by HUD.

Low- and moderate-income person means a member of a family having an income equal to or less than the Section 8 low-income limit established by HUD. Unrelated individuals will be considered as one-person families for this purpose.

Low-income household means a household having an income equal to or less than the Section 8 very low-income limit established by HUD.

Low-income person means a member of a family that has an income equal to or less than the Section 8 very low-income limit established by HUD. Unrelated individuals shall be considered as one-person families for this purpose.

Metropolitan area shall have the meaning provided in section 102(a)(3) of the Act. A standard metropolitan statistical area as established by the Office of Management and Budget.

Metropolitan city shall have the meaning provided in section 102(a)(4) of the Act.

Metropolitan city means:

- I. A city within a metropolitan area which is the central city of such area, as defined and used by the Office of Management and Budget, or
- II. Any other city, within a metropolitan area, which has a population of fifty thousand or more.

Any city that was classified as a metropolitan city for at least 2 years pursuant to the first sentence of this paragraph shall remain classified as a metropolitan city. Any unit of general local government that becomes eligible to be classified as a metropolitan city, and was not classified as a metropolitan city in the immediately preceding fiscal year, may, upon submission of written notification to the Secretary, defer its classification as a metropolitan city for all purposes under this chapter, if it elects to have its population included in an urban county under subsection (d) of this section. Notwithstanding the second sentence of this paragraph, a city may elect not to retain its classification as a metropolitan city. Any city classified as a metropolitan city pursuant to this paragraph, and that no longer qualifies as a metropolitan city in a fiscal year beginning after fiscal year 1989, shall retain its classification as a metropolitan city for such fiscal year and the succeeding fiscal year, except that in such succeeding fiscal year

- I. The amount of the grant to such city shall be 50 percent of the amount calculated under section 5306(b) of this title; and
- II. The remaining 50 percent shall be added to the amount allocated under section 5306(d) of this title to the State in which the city is located and the city shall be eligible in such succeeding fiscal year to receive a distribution from the State allocation under section 5306(d) of this title as increased by this sentence.

Any unit of general local government that was classified as a metropolitan city in any fiscal year, may, upon submission of written notification to the Secretary, relinquish such classification for all purposes under this chapter if it elects to have its population included with the population of a county for purposes of qualifying for assistance (for such following fiscal year) under section 5306 of this title as an urban county under paragraph (6)(D). Any metropolitan city that elects to relinquish its classification under the preceding sentence and whose port authority shipped at least 35,000,000 tons of cargo in 1988, of which iron ore made up at least half, shall not receive, in any fiscal year, a total amount of assistance under section 5306 of this title from the urban county recipient that is less than the city would have received if it had not relinquished the classification under the preceding sentence.

Microenterprise shall have the meaning provided in section 102(a)(22) of the Act. A commercial enterprise has 5 or fewer employees, 1 or more of who owns the enterprise.

Moderate-income household means a household having an income equal to or less than the Section 8 low-income limit and greater than the Section 8 very low-income limit, established by HUD.

Moderate-income person means a member of a family that has an income equal to or less than the Section 8 low-income limit and greater than the Section 8 very low-income limit, established by HUD. Unrelated individuals shall be considered as one-person families for this purpose.

Nonentitlement amount means the amount of funds which is allocated for use in a State's nonentitlement areas as determined by formula set forth in section 106 of the Act.

Nonentitlement area shall have the meaning provided in section 102(a)(7) of the Act. An area which is not a metropolitan city or part of an urban county and does not include Indian tribes.

Population means the total resident population based on data compiled and published by the United States Bureau of the Census available from the latest census or which has been upgraded by the Bureau to reflect the changes resulting from the Boundary and Annexation Survey, new incorporations and consolidations of governments pursuant to 570.4, and which reflects, where applicable, changes resulting from the Bureau's latest population determination through its estimating technique using natural changes (birth and death) and net migration, and is referable to the same point or period in time.

Predicted age of housing means the arithmetic product of the housing stock in the metropolitan city or urban county multiplied times the ratio between the age of housing in all metropolitan areas and the housing stock in all metropolitan areas.

Program income : See Chapter 10, Program Income, Program Income Definition, page 1-10.

Recipient: See grantee.

Revolving fund means a separate fund (with a set of accounts that are independent of other program accounts) established for the purpose of carrying out specific activities which, in turn, generate payments to the fund for use in carrying out the same activities. Each revolving loan fund's cash balance must be held in an interest-bearing account, and any interest paid on CDBG funds held in this account shall be considered interest earned on grant advances and must be remitted to HUD for transmittal to the U.S. Treasury no less frequently than annually. (Interest paid by borrowers on eligible loans made from the revolving loan fund shall be program income and treated accordingly.)

Secretary means the Secretary of Housing and Urban Development.

Small business means a business that meets the criteria set forth in section 3(a) of the Small Business Act (15 U.S.C. 631, 636, 637).

State shall have the meaning provided in section 102(a)(2) of the Act. Any State of the United States, or any instrumentality thereof approved by the Governor; and the Commonwealth of Puerto Rico.

Subrecipients are governmental or private nonprofit organizations chosen by the grantee to undertake certain eligible CDBG activities. Institutions of higher learning can be subrecipients. Subrecipients are also referred to as subgrantees.

Unit of general local government shall have the meaning provided in section 102(a)(1) of the Act. Any city, county, town, township, parish, village, or other general purpose political subdivision of a State; Guam, the Northern Mariana Islands, the Virgin Islands, and American Samoa, or a general purpose political subdivision thereof; a combination of such political subdivisions that, except as provided in section 5306(d)(4) of this title, is recognized by the Secretary; the District of Columbia; and the Trust Territory of the Pacific Islands. Such term also includes a State or a local public body or agency (as defined in section 4512 of this title), community association, or other entity, which is approved by the Secretary for the purpose of providing public facilities or services to a new community as part of a program meeting the eligibility standards of section 4513 of this title or title IV of the Housing and Urban Development Act of 1968 [42 U.S.C. 3901 et seq.].

Urban County means a qualified urban county or entitlement county has a population of 200,000 or more (excluding the population of metropolitan cities therein) and has a combined population of 100,000 or more (excluding the population of metropolitan cities therein) in such unincorporated areas and in its included units of general local government. The Dakota County CDA is an entitlement county that administers, along with subrecipient cities and townships, CDBG funded activities. See Chapter 2 CDBG Program Basics, Urban Counties Definition, page 5-2.

Urban Development Action Grant (UDAG) means a grant made by the Secretary pursuant to section 119 of the Act and subpart G of this part.¹²³⁴

¹ HUD. CPD, Community Development, Rules and Regulations, Subpart a, 570.3 Definitions. February 26, 2001. <http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/regulations/suba/5703.cfm>

² HUD. CPD, Community Development, Rules and Regulations, Sect. 5302. General Provisions (Section 102 of the Act). February 26, 2001. [http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/laws/sec5302.cfm#sec5302\(b\)](http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/laws/sec5302.cfm#sec5302(b))

³ HUD, Office of Community Planning and Development. Basically DCBG, Chapter 1: Overview of the Program, Glossary of Terms. September 1998.

⁴ HUD. CPD, Community Development, Rules and Regulations, Subpart J, 570.500 Definitions. March 2, 2001. <http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/regulations/subj/570500.cfm>

Appendix B

Table 3-2: Dakota County FY 2004 Adjusted Income Limits (by household size)

Dakota County FY 2004 Median Family Income \$76,400								
	Adjusted Income Limits by Household Size							
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 + Persons
30% Limits	\$16,100	\$18,400	\$20,700	\$23,000	\$24,850	\$26,700	\$28,550	\$30,350
50% Limits (Very Low Income)	\$26,850	\$30,700	\$34,500	\$38,350	\$41,400	\$44,500	\$47,550	\$50,600
80% Limits (Low & Moderate Income)	\$40,250	\$46,000	\$51,750	\$57,500	\$62,100	\$66,700	\$71,300	\$75,900

Effective 1/28/04

Appendix C

Table 3-4: Annual Action Plan Summary for CDBG Programs in Dakota County

ANNUAL ACTION PLAN SUMMARY (CDBG & HOME Programs) Dakota County, Minnesota Fiscal Year 2004 (ending 6/30/05)		
Allocation	Amount	Percentage
Minnesota CDB G Allocation		
Total CDBG Allocation to Minnesota	\$ 68,427,235	
State (small cities program)	\$ 24,295,235	35.5%
Counties (6 urban entitlement)	\$ 12,108,000	17.7%
Cities (9 urban entitlement)	\$ 32,024,000	46.8%
Note: MN had a 0.1% decrease from 2003-04		
Dakota County Allocations		
CDBG	\$2,058,000	1.8% decrease from FY03
HOME	\$ 857,078	0.9% increase from FY03
HOME ADDI	\$ 122,856	new allocation for FY03/04
FY04 CDBG Activities		
Acquisition & Clearance	\$ 684,676	33.3%

Housing Rehabilitation	\$ 492,631	23.9%
Public Services	\$ 300,794	14.6%
Administration	\$ 273,960	13.3%
Homeownership	\$ 158,489	7.7%
Commercial Rehab	\$ 92,794	4.5%
Unallocated	\$ 54,656	2.7%
FY04 Allocation by Dakota County District		
District #1 (rural areas	\$ 54,656	2.7% of total
District #2 (WSP, SSP, IGH, MH)	\$ 399,475	19.4% of total
District #3 (Eagan, BV, AV	\$ 730,360	35.5% of total
District #4 (LV, Hstg, Rst, Fmtn)	\$ 331,296	16.1% of total
City of Northfield	\$ 99,392	4.8% of total
County-wide (rehab, wells, adm.)	\$ 442,821	21.5% of total

Table 3-5: Dakota County Priority Needs Summary in 2000 to 2004

Dakota County Priority Needs Summary in 2000 to 2004			
PRIORITIZED NEEDS	HIGH	MEDIUM	LOW
Priority Housing Needs			
Renters	<ol style="list-style-type: none"> 1. Small related households of 2-4 persons with incomes between 0-50% of median. 2. Large related households of 5+ persons with incomes between 0-50% of median. 3. Elderly households with incomes between 0-50% of median, and 4. All other households, and 1 person non-elderly and special populations, with incomes between 0-30% of median. 	<ol style="list-style-type: none"> 1. Small related households with incomes between 51-80% of median. 2. All other households, including 1 person non-elderly and special populations, with incomes between 31-80% of median. 	<ol style="list-style-type: none"> 1. Large related households with incomes between 51-80% of median. 2. Elderly households with incomes between 51-80% of median.
Owners		Households with incomes between 0-80% of median.	
Special Populations		Households with incomes between 0-80% of median.	
Priority Community Development Needs			
Public Facilities	Parks/recreation & other public facilities not identified as medium or low priorities.	Non-residential historic preservation.	Neighborhood, health, parking, solid waste disposal and asbestos removal facilities.
Infrastructure	Street improvements.	Water/sewer, sidewalks and storm sewer improvements.	
Public Services	Public services not listed as medium or low priorities.	Handicapped, transportation, substance abuse services, and anti-crime programs.	Employment training and health services.
Youth & Senior Programs		Youth and/or senior centers, youth and/or senior services, child care services, and other youth/senior programs.	Child care centers.
Economic Development		Commercial/industrial building rehab, commercial/industrial, infrastructure, and other economic development activities.	Micro-enterprise and economic development technical assistance.

Table 1-9: 1.5 Ratio for Subrecipients in FY04 Dakota County, Minnesota

1.5 Ratio for Subrecipients in FY04 Dakota County, Minnesota		
Jurisdictions	2004 Allocation	1.5 x Allocation*
<u>District #1</u>		
Unallocated	\$ 54,656	\$ 81,984
<u>District #2</u>		
Inver Grove Heights	\$ 123,790	\$ 185,685
Mendota	\$ 7,500	\$ 11,250
Mendota Heights	\$ 39,785	\$ 59,678
South St. Paul	\$ 123,785	\$ 185,678
West St. Paul	\$ 105,485	\$ 158,228
<u>District #3</u>		
Apple Valley	\$ 158,489	\$ 237,734
Burnsville	\$ 338,902	\$ 508,353
Eagan	\$ 257,969	\$ 386,954
<u>District #4</u>		
Farmington	\$ 63,669	\$ 95,504

Hastings	\$ 83,773	\$ 125,660
Lakeville	\$ 114,125	\$ 171,188
Rosemount	\$ 69,729	\$ 104,594
<u>No District</u>		
Northfield	\$ 99,392	\$ 149,088
<u>County-wide</u>		
Housing Rehab Loans	\$ 175,861	\$ 203,792**
Well Sealing Grants	\$ 20,000	\$ 30,000
* These balances may include portions that are related to housing rehab, which are subject to CDA administration rather than the city's direct control.		
** This amount should also be reviewed in context of the revolving account balance.		

Appendix F

- 1. HUD-4010 Federal Labor Standards Provisions:**
http://www.hudclips.org/sub_nonhud/html/pdfforms/4010.pdf
- 2. Form WH-347 U.S. Department of Labor Payroll:**
<http://www.dol.gov/esa/forms/whd/WH347.pdf>
- 3. WH Publication 1321 Notice to All Employees:**
<http://www.dol.gov/esa/regs/compliance/posters/pdf/fedprojc.pdf>
- 4. HUD-11 Record of Employee Interview:**
http://www.hudclips.org/sub_nonhud/html/pdfforms/11.doc
- 5. HUD Form 4730 Federal Labor Standards Questionnaire:**
http://www.hudclips.org/sub_nonhud/html/pdfforms/4730.doc