

COMMUNITY DEVELOPMENT BLOCK GRANT

General

- A. Scope and Applicability. This statement describes the policies and procedures that will be used by the State to allocate the HUD CDBG Program funds in South Dakota for Federal Fiscal Year (FFY) 2012. Funds for this program are provided through the Title I of the Housing and Community Development Act of 1974 as amended. The State of South Dakota will receive approximately \$6,048,891.00 in 2012 to fund the CDBG program. A minimum of 70 percent of the State's allocation, as a whole, will be used to fund projects that primarily benefit low and moderate-income persons.
- B. Program Objectives. The South Dakota CDBG program will provide grants to units of general local governments in non-entitlement areas. Since the potential demand for funds could exceed the amount available, eligible applicants selected for funding will be those communities having the greatest need and whose applications most adequately address locally determined need of low and moderate-income persons, consistent with one or more of the following purposes:
1. Promote more rational land use;
 2. Provide increased economic opportunities for low and moderate-income persons;
 3. Correct deficiencies in public facilities that affect the public health, safety or welfare, especially of low and moderate income-persons.
- C. Eligible Applicants. Eligible applicants are counties and incorporated municipalities, excluding the cities of Sioux Falls, Rapid City and Tribal Governments.
- D. Requirements for Applying for CDBG Funds. A project must meet one of three national objectives in addition to being an eligible activity as described in section 105(a) of the Act. The national objectives are to eliminate slums and blight, benefit people of predominately low and moderate income, or eliminate a threat to public health or safety that is unusual in nature and does not occur with regularity in the State. In addition to these requirements, the following criteria must be met:
1. To apply for CDBG funds, eligible applicants must have a local Planning District prepare their CDBG application and administer an awarded grant through close out of the project.
 2. There is no limit to the number of grants from the 2012 program funds that an eligible applicant may receive for themselves or on behalf of an ineligible applicant such as an area development corporation, rural water system, sanitary district or other legally organized entity. All eligible applications not funded may be resubmitted.
 3. Previous CDBG Program grants awarded prior to Year 2009 must be closed out. This restriction applies to grantees that have not done an administrative closeout on their awards from Years 2005 to 2008 and have not done a final closeout on their awards from Years 2004 to 2005. A grantee that has an open grant that

was awarded during Years 2004-2008 because of circumstances beyond their control may request a waiver to this requirement. The waiver should include the current status of the grant, the reason the grant is not yet closed, and the expected closeout date. The waiver should be submitted to GOED with the application and will be ruled upon by the CDBG Staff.

4. All applicants must have complied with the public hearing requirements of the act as amended. A public hearing must have been conducted to receive comments from interested parties on the proposed activities before an application for funds may be submitted.
 5. A Community Development Housing Needs Assessment public hearing must be held before submitting a CDBG application. This public hearing is conducted to receive comments from interested parties on the development and housing needs of the community.
 6. CDBG application shall include data on the racial, ethnic, and gender characteristics of project beneficiaries.
- E. Eligible CDBG Projects and Activities. Eligible projects and activities are defined in Section 105(a) of Title I of the Housing and Community Development Act of 1974 as amended. Questions on eligibility of projects should be addressed to a member of the CDBG staff within the Governor's Office of Economic Development at (605) 773-3301.
- F. Distribution of Turn Back or Recaptured Funds. Recaptured funds from previous award cycles and any turn back funds will be distributed in the following manner:
1. Recaptured or turned back funds will be added to the current program year. The "old" funds will be used first in each award cycle to maintain a "timely" disbursement of funds.
 2. Special Projects Account Funds and Imminent Threat Account Funds not obligated may, at the discretion of the Commissioner of Governor's Office of Economic Development (GOED), in approved allotments, be transferred to the Community Projects Account.
- G. Distribution of Uncommitted Funds. Any uncommitted funds remaining at the close of the program year will carry forward and be distributed according to the Method of Distribution in the next action plan.
- H. Program Income. Principal and interest payments received by the State government from any awarded projects will be added to the current program year and be awarded to eligible projects.
- I. Distribution of funds. Funds will be distributed from three separate programs that address distinct areas of need. Of the approximately \$6,048,891.00 CDBG funds received by the State, one million dollars (\$1,000,000) will be available through the Special Projects Account, five hundred thousand dollars (\$500,000) will be available through the Imminent Threat Account, and the remainder of the annual allocation will be available for distribution through the Community Projects Account. **A maximum of 15% of our annual allocation will be utilized for eligible**

Job Training activities classified as Public Services. The State will withhold two percent of the annual allocation plus one hundred thousand dollars (\$100,000) for program administration. The State will set aside one percent of their allocation to provide technical assistance to local governments through the state's council of governments.

- J. Timeliness. One requirement of the CDBG program is that all funds be obligated to projects within 15 months of the State receiving the funds from HUD. The State was not timely in its obligation of funds for several years up until 2009. To maintain our timely status, the State is incorporating application deadlines for the Community Projects Account. Historical program information for the past 3 years reveals the State has obligated more funds than it was allocated in order to regain a timely status. This indicates there is an adequate funding demand for eligible activities on a continuing basis. It is our intention to stimulate applicants through a series of funding cycle deadlines, as opposed to potential applicants delaying applications because previous funding was available on an as-needed basis. Application deadlines will be April 15, July 15, and October 15. If this method does not adequately address timeliness in PY2012, then the State will re-evaluate the MOD and make adjustments in the following year.
- K. Grant Amendments. Grant Amendments for additional funds will be considered. Decisions will be based upon the information provided by the grantee justifying the need, impact of the additional funding, and available account balances.

Community Projects Account

A. Requirements for Applying for Community Projects Account.

1. All applicants must have completed the preliminary design stages. The preliminary design stage is defined as that portion of the project associated with the following activities: planning studies needed to identify the project scope or need, public hearings initial cost estimates, cost-effective analysis, preliminary site identification surveys, and the preparation of grant applications and supporting documentation.
2. All applicants must provide information 1) showing the amount of match they currently have available, 2) the total amount of match they anticipate providing and 3) why they are unable to fund the project with local funding. Local cost sharing may include public or private direct contributions and loans.
3. Timeliness is considered to be a major factor in the distribution of the State administered program. Projects must be able to demonstrate the ability to start construction within six months and be closed out within eighteen months. The six and eighteen month period begins the date that the award is made.
4. To receive grant assistance for water and wastewater projects, the project should be included in the current Board of Water & Natural Resources State Water Plan. The Board of Water & Natural Resources State Water Plan includes the State Water Resources Management System and the State Water Facilities Plan.

5. Applications must be received at the GOED on or before the deadline to be considered for that funding cycle. Applications received after the deadline will be applied to the next funding cycle. Application deadlines will be April 15, July 15, and October 15.
6. Applications for Job Training activities eligible under HCDA 105(a)(8) are exempt from above deadlines, and may be applied for at any time.

B. Size of Grants.

1. Ceilings. There is a maximum ceiling of \$500,000 per grant application.
2. Individual grant amounts. Individual grants will be awarded only in amounts commensurate with the requirements of the proposed project.
3. Available funding. Each funding cycle will award approximately one-third of the annual funds available through the account. The Commissioner of Governor's Office of Economic Development (GOED) has the discretion to increase or decrease the amount on any given funding cycle. Additionally, any funds carried over from the previous year not obligated by April 15 will be added to the first cycle pool of funds to maintain timeliness.

C. Method of Selecting Grantees. The application/award cycle is a 3 cycle process. Applicants proposing an eligible activity and meeting one or more of the state CDBG program objectives will be considered for funding. The following criteria will be used in selecting projects:

1. The Nature of the Activity or Activities. Is the activity eligible? Does the activity meet a national objective? Is the activity consistent with the Consolidated Plan?
2. Proposed plan for carrying out activity or activities. Have all tasks been identified? Has a realistic schedule been developed? Has the estimate of necessary resources been compiled?
3. Applicant's capacity to do the work. Has the applicant completed the activity before? Does the applicant have the capacity to administer CDBG funds? Is applicant aware of requirements and responsibilities of CDBG funds? Is applicant aware of other federal requirements they must comply with? Does the applicant have adequate administrative and financial systems in place?
4. Impact of Project. In assessing impact, the application will be rated high, medium or low against the following five factors. To be funded, the application must receive a combination of three or more medium or high ratings. The Governor may revise the recommendation of the CDBG staff.

Factors

- a. LMI Benefit: The number of LMI people to benefit from the project will be considered. Projects that propose a LMI benefit greater than 61 percent will receive a high rating, 56 percent to 60 percent will receive a medium rating

and less than 55 percent a low rating. Percentages will be rounded to the nearest whole number.

- b. Local Effort: The amount of funds raised or contributed to the total project cost will be considered. Project proposing to provide a local match of 31 percent or greater will receive a high rating, 16 percent to 30 percent a medium rating and 0 to 15 percent a low rating. Percentages will be rounded to the nearest whole number.
- c. Nature of Project/Need: Each project is rated according to the impact it will have on the needs of persons identified. The intent of this factor is to select those projects which will have the most significant impact. Consideration will be given to the results achieved in relation to the amount of funds requested.
- d. Additional Actions to Fully Resolve Need: Each project is rated according to additional actions required to fully resolve the identified need. Higher ratings will be awarded for fewer additional actions needed to fully resolve the need.
- e. Maximizing Local Resources: A High rating will also be given to applicants that have maximized local resources.

D. Application Process.

1. Potential Projects. Sponsors of potential projects may submit a cover letter explaining the proposed project including cost of the project, proposed and secured funding sources and documentation on how the project will meet a national objective of the CDBG program. You may also include any other additional information that may be necessary to justify the project.
2. State Identified Projects. Where needs have been identified by state officials, local governments may be encouraged to submit a request in accordance with D 1 of this section.
3. Distribution. The GOED will review the potential project to ensure the project meets the requirements of the CDBG program including being an eligible activity and meeting a national objective. If the project is deemed eligible for CDBG funding, the request will be forwarded to the Governor's Operation Office for their consideration. The Governor's Operation Office will make funding decisions based upon factors listed in items B and C of this section. A letter will be sent to the project sponsor, as soon as it is administratively practical to do so, informing them of the level of CDBG funding being reserved for their use, denial of their request, or that their application is being carried over to the next funding cycle for consideration.
4. Application. Project Sponsors may obtain applications from the Governor's Office of Economic Development. The original and one copy of the completed application must be sent to the GOED. A copy of the Application Cover Sheet should be submitted, if appropriate, to the local planning district.
5. Grant Administration. Past performance in the administration of Community Development Block Grant funds must be acceptable where applicable.

6. Contents of Application Package. The following is a list of components that must be included in the application package.
 - a. Application Cover Sheet
 - b. Budget Sheet
 - c. Project Narrative
 - d. Assessment of Benefit to Low-income Persons
 - e. Program Assurances and Certifications
 - f. A copy of the notice and minutes of the application public hearing
 - g. Local government resolutions
 - h. CDBG Disclosure Report
 - i. A copy of the notice and minutes of the Community Development and Housing Needs Assessment public hearing
 - j. The racial, ethnic, and gender characteristics of the project beneficiaries

The following must be included if they are applicable to the proposed project or existing local program:

- a. Cooperative agreement(s) with other units of local government
- b. Letter(s) of firm financial commitment from other Federal/State agencies or local/private resources
- c. Grant status report for all open grants
- d. Local cost sharing waiver form
- e. Water-wastewater or solid waste fee schedule

7. Application Review Procedure. The GOED will review the application for CDBG funding upon receipt, to determine if the proposed project continues to meet the requirements of the program and remains eligible for funding. If the project remains eligible for funding after submission of the application, an official agreement will be forwarded to the application sponsor. If after review of the application, it is determined the project is not eligible for CDBG funding, the project sponsor will be notified of the denial of funding.

Special Projects Account

- A. Requirements for applying for Special Projects Accounts Funds.
 1. At least 51 percent of the permanent jobs created or retained by the proposed project must be taken by or be made available to low-income persons.
 2. Businesses that benefit from CDBG funds must submit historical and pro-forma financial statements.
 3. There must be evidence of local capacity to administer the grant.
 4. Past performance in the administration of CDBG funds must be acceptable where applicable.
 5. At least one permanent full time equivalent position must be created for each \$25,000 of CDBG funds provided. A waiver may be requested if

appropriate. The acceptance of a waiver by GOED will be based on the following factors: the salary and desirability of the position(s) created and secondary job creation. Salary and desirability of position are defined as amount above minimum wage and opportunity for advancement.

6. A letter of commitment from the bank stating how much they will be participating in the project and why that is their maximum amount.
7. Financial participation is highly encouraged by the grant recipient.

B. Size of Grants

1. There is a maximum ceiling of \$500,000 per grant application.

C. Method of Selecting Grantees. The application/award cycle is an ongoing process with no structured time schedule for receipt of applications or for award announcements. Applicants proposing an eligible activity and meeting one or more of the state CDBG program objectives will be considered for funding. The following criteria will be used in selecting projects:

1. The Nature of the Activity or Activities. Is the activity eligible? Does the activity meet a national objective? Is the activity consisted with the Consolidated Plan?
2. Proposed plan for carrying out activity or activities. Have all tasks been identified? Has a realistic schedule been developed? Has the estimate of necessary resources been compiled?
3. Applicant's capacity to do the work. Has the applicant completed the activity before? Does the applicant have the capacity to administer CDBG funds? Is applicant aware of requirements and responsibilities of CDBG funds? Is applicant aware of other federal requirements they must comply with? Does the applicant have adequate administrative and financial systems in place?
4. Impact of Project. In assessing impact, the application will be rated high, medium or low against the following five factors. To be funded, the application must receive a combination of three or more medium or high ratings. The Governor may revise the recommendation of the CDBG staff.

Factors

- a. LMI Benefit: The number of LMI people to benefit from the project will be considered. Projects that propose a LMI benefit greater than 61 percent will receive a high rating, 56 percent to 60 percent will receive a medium rating and less than 55 percent a low rating. Percentages will be rounded to the nearest whole number.
- b. Local Effort: The amount of funds raised or contributed to the total project cost will be considered. Project proposing to provide a local match of 31 percent or greater will receive a high rating, 16 percent to 30 percent a medium rating and 0 to 15 percent a low rating. Percentages will be rounded to the nearest whole number.

- c. Nature of Project/Need: Each project is rated according to the impact it will have on the needs of persons identified. The intent of this factor is to select those projects which will have the most significant impact. Consideration will be given to the results achieved in relation to the amount of funds requested.
 - d. Additional Actions to Fully Resolve Need: Each project is rated according to additional actions required to fully resolve the identified need. Higher ratings will be awarded for fewer additional actions needed to fully resolve the need.
 - e. Maximizing Local Resources: A High rating will also be given to applicants that have maximized local resources.
- D. Application Process. Potential applicants may request an application package which includes the “Request For Invitation” from the Governor's Office of Economic Development. Invited applicants may then submit completed application materials for eligible activities to the Governor's Office of Economic Development. Where needs have been identified by state officials, local governments may be encouraged to submit a request in accordance with this process.
- 1. Request for Invitation. The completed invitation request form must be received by the Governor's Office of Economic Development Request for invitations are accepted on an ongoing basis.
 - 2. Contents of Request for Invitation. The following is a list of components that must be included in the Request for Invitation.
 - a. Request for Invitation cover sheet
 - b. Description of business and proposed project
 - c. Source and use of funds
 - d. Participating lenders
 - e. Description of project costs
 - f. Letter(s) of firm financial commitment from other Federal/State agencies or local/private resources (bank commitment letter)
 - g. Rate and term of CDBG loan, if appropriate
 - h. Credit references
 - i. Three year historical financials and three year pro-forma financials
 - j. Business plan
 - k. Job documentation
 - 3. Invitation. The applicant is invited to apply by the Governor's Office of Economic Development. An invitation does not mean an award will be made for the project.
 - 4. Application. After being invited, the original and one copy of the full application must be submitted to the Governor's Office of Economic Development.
 - 5. Contents of application package. The following is a list of components that must be included in the application package:

- a. Application Cover Sheet
- b. Budget Sheet
- c. Project Narrative
- d. Program Assurances and Certification
- e. Assessment of Benefit to Low-income Persons
- f. Local government resolutions
- g. Copy of the notice and minutes of the application public hearing
- h. CDBG Disclosure Report
- i. A copy of the notice and minutes of the Community Development and Housing Needs Assessment public hearing
- j. The racial, ethnic, and gender characteristics of the project beneficiaries

The following must be included if they are applicable to the proposed project or existing local program:

- a. Cooperative agreement(s) with other units of local government
- b. Grant status report for all open grants
- c. Justification for claiming the elimination of slum and blight objective
- d. Proposed use of income proceeds, if any

Imminent Threat Projects Account

A. Requirements for Applying for Imminent Threat Account

- 1. The State may at any time invite a full application for funds available under this Subpart in response to a request for assistance to alleviate an imminent threat to public health or safety that requires immediate resolution. The urgency and the immediacy of the threat must be verified by the State with an appropriate authority other than the applicant prior to submission of the full application. The CDBG Staff will review the claim to determine if the imminent threat to public health or safety does, in fact, exist. These funds are to be used to deal with threats that represent a unique and unusual circumstance, not for the type of problem that occurs with frequency in a number of communities within the State.
- 2. The applicant does not have sufficient local resources and other Federal or State resources are unavailable to alleviate the imminent threat.
- 3. The action that requires the funds must have occurred "within the previous eighteen months."

B. Size of Grants

- 1. There is a maximum ceiling of \$500,000 per grant application.

- C. Method of Selecting Grantees The application/award cycle is an ongoing process with no structured time schedule for receipt of applications or for award announcements. Applicants proposing an eligible activity and meeting one or

more of the state CDBG program objectives will be considered for funding. The following criteria will be used in selecting projects:

1. The Nature of the Activity or Activities. Is the activity eligible? Does the activity meet a national objective? Is the activity consistent with the Consolidated Plan?
2. Proposed plan for carrying out activity or activities. Have all tasks been identified? Has a realistic schedule been developed? Has the estimate of necessary resources been compiled?
3. Applicant's capacity to do the work. Has the applicant completed the activity before? Does the applicant have the capacity to administer CDBG funds? Is applicant aware of requirements and responsibilities of CDBG funds? Is applicant aware of other federal requirements they must comply with? Does the applicant have adequate administrative and financial systems in place?
4. Impact of Project. In assessing impact, the application will be rated high, medium or low against the following five factors. To be funded, the application must receive a combination of three or more medium or high ratings. The Governor may revise the recommendation of the CDBG staff.

Factors

- f. LMI Benefit: The number of LMI people to benefit from the project will be considered. Projects that propose a LMI benefit greater than 61 percent will receive a high rating, 56 percent to 60 percent will receive a medium rating and less than 55 percent a low rating. Percentages will be rounded to the nearest whole number.
- g. Local Effort: The amount of funds raised or contributed to the total project cost will be considered. Project proposing to provide a local match of 31 percent or greater will receive a high rating, 16 percent to 30 percent a medium rating and 0 to 15 percent a low rating. Percentages will be rounded to the nearest whole number.
- h. Nature of Project/Need: Each project is rated according to the impact it will have on the needs of persons identified. The intent of this factor is to select those projects which will have the most significant impact. Consideration will be given to the results achieved in relation to the amount of funds requested.
- i. Additional Actions to Fully Resolve Need: Each project is rated according to additional actions required to fully resolve the identified need. Higher ratings will be awarded for fewer additional actions needed to fully resolve the need.
- j. Maximizing Local Resources: A High rating will also be given to applicants that have maximized local resources.

B. Application Process

1. Invitation. The applicant is invited to apply by the Governor's Office of Economic Development. An invitation does not mean an award will be made to for the project.
2. Application. Application packages may be obtained from the Governor's Office of Economic Development.
3. Due dates and distribution. The original copy of the completed application must be received by the Governor's Office of Economic Development.
4. Contents of application package. The following is a list of components that must be included in the application package:
 - a. Application Cover Sheet
 - b. Budget Sheet
 - c. Project Narrative
 - d. Assessment of Benefit to Low-income Persons
 - e. Program Assurances and Certifications
 - f. A copy of the notice and minutes of the application public hearing
 - g. Local government resolutions
 - h. CDBG Disclosure Report
 - i. A copy of the notice and minutes of the Community Development and Housing Needs Assessment public hearing
 - j. The racial, ethnic, and gender characteristics of the project beneficiaries
 - k. Justification for claiming the imminent threat to public health or safety (Documentation from a Federal or State agency certifying that the problem is an imminent threat.)

The following must be included if they are applicable to the proposed project or existing local program:

- a. Cooperative agreement(s) with other units of local government
 - b. Letter(s) of firm financial commitment from other Federal/State agencies or local/private resources
 - c. Grant status report for all open grants
 - d. Water-Wastewater or solid waste fee schedule
5. Method of Distribution. Funding will be provided on a first come first serve basis provided that the requirements set forth in Section A of this part are met.