

2026

NORTH DAKOTA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM DISTRIBUTION STATEMENT

3/2026

Prepared By

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Preface

The Division of Community Services (DCS) administers the state of North Dakota's annual federal allocation of Community Development Block Grant (CDBG) funds for non-metropolitan cities and counties. Urban cities and counties, and tribes are not included in the State's program because they receive CDBG funds directly from the U.S. Department of Housing and Urban Development (HUD). The Program Distribution Statement (PDS) is a component of the state of North Dakota's Annual Action Plan (AAP) submission to HUD for the state Community Development Block Grant (CDBG) program. The PDS describes how the State will allocate CDBG funds to Units of General Local Governments (UGLG). The Division of Community Services will follow its Citizen Participation Plan (CPP) for the CDBG program to amend the 2026 PDS in the AAP if needed.

1. What constitutes an amendment to the Action Plan? (the following are examples, but the list is not inclusive)
 - a. A change in the method of distribution or grant selection criteria.
 - b. The addition of an activity not initially identified in the Consolidated Plan.
 - c. Funding of an activity not identified in the Consolidated Plan as a high or medium priority.

This PDS contains information about the State's Community Development Block Grant (CDBG) Program, including but not limited to all criteria and scoring used to select applications, how all CDBG resources will be allocated among all funding categories, threshold factors and grant size limits, and sufficient information to allow the UGLG to understand and comment on the PDS and prepare responsive applications

Definition of Low and Moderate Income

"Low income" means income equal to or less than 51 percent of the area median income (adjusted by household size). "Moderate income" means income equal to or less than 80 percent of the area median income (adjusted by household size). Applicable income limits are determined by HUD on an annual basis for all North Dakota counties and metropolitan statistical areas.

Section 106(d)(2)(C)(iii) of the Housing and Community Development Act (HCDA) prohibits a state from declaring certain statutorily eligible activities as ineligible for funding under the state's program but allows a state to establish funding priorities among the types of eligible activities. There is a broad range of activities that may be assisted with CDBG funds. States that administer a non-entitlement CDBG program are required to establish procedures for distributing the funds and identification of the activities (priorities) that will be eligible for funding under the state's program. The state of North Dakota's funding priorities for 2026 are described within the 2026 Program Distribution Statement. In accordance with the HCDA the state will only consider applications for funding consistent with the identified funding priorities within the 2026 PDS.

The following program priorities and objectives have been established for the distribution of 2026 CDBG funds in North Dakota:

Economic Development

1. Objectives for economic development will focus on:
 - a. The creation of permanent, full-time jobs for low- and moderate-income persons;
 - b. Economic diversification;
 - c. Leveraging of private and local investment; and
 - d. Benefit to the state's economy.

Public Facilities

2. Funding for Public Facilities activities will primarily focus on:
 - a. Water and sewer activities which currently present a threat to health and safety;
 - b. Removal of architectural barriers which will permit access for the handicapped;
 - c. Primary benefit to a locality's low- and moderate-income persons; and
 - d. Leveraging local and other available financial resources to finance the cost of the activity.

Housing Activities

3. Funding for Housing Activities will primarily focus on:
 - a. Meeting the health and safety needs of low- and moderate-income persons by bringing the rehabilitated housing up to a minimum of the Section 8 Housing Quality Standards; and
 - b. Making more affordable housing available for low- and moderate-income persons. Emphasis will be given to encouraging applicants to use other public and private funds to complement CDBG funds.

SECTION I – INTRODUCTION

Purpose of Program Distribution Statement

The purpose of the Community Development Block Grant (CDBG) Program Distribution Statement is to describe how the state of North Dakota intends to prioritize the distribution of its CDBG funds for Public Facilities, Housing, and Economic Development activities. Specifically, the Statement describes the National Objectives of the CDBG program, eligible applicants, eligible activities, special eligibility requirements, distribution of funds, policies and procedures, and the grant submission and selection process.

Priorities for Community Development Block Grant (CDBG) funds must be consistent with the policies and priorities contained in the 2025-2029 State of North Dakota Consolidated Plan. The 2026 Program Distribution Statement is the second annual update to the 2025-2029 Consolidated Plan.

For fiscal year 2026, the Economic Development program priority is targeted to business proposals which will operate within the primary sector of the North Dakota economy. Economic Development is intended to be used in situations where a funding gap exists, and alternative sources and/or terms and conditions of public and private financing are not adequate. To access the Economic Development program, applicants should contact the Division of Community Services.

Purpose of the Community Development Block Grant Program

The Community Development Block Grant was established by the Housing and Community Development Acts of 1974. In 1981, Congress amended the act to authorize state governments to administer the State Community Development Block Grant Program.

Nationally, the CDBG Program is divided into two categories:

- A. The Department of Housing and Urban Development (HUD) continues to administer the "entitlement" program which is for cities over 50,000 and counties over 200,000 population. These entities receive CDBG Program funds on an annual formula basis directly from the Department of HUD. In North Dakota, the entitlement cities are Fargo, Bismarck, Grand Forks, and Minot.
- B. The State administers the "non-entitlement" CDBG Program for cities under 50,000 and counties under 200,000 population. Allocation for the non-entitlement program is based on a formula and each state must submit a "Notice of Election" each year to administer the program. In North Dakota, there are approximately 449 eligible cities and counties capable of competing for state CDBG funds. No State CDBG funds will be spent in entitlement jurisdictions.

National Objectives

The primary purpose of the CDBG Program, as declared by Congress in Title I of the Housing and Community Development Act of 1974, as amended (HCD ACT), is "the development of viable communities, by providing decent housing and suitable living environment and expanding economic opportunities, principally for persons of low and moderate income."

Therefore, in providing assistance, the fundability of any eligible CDBG activity is dependent upon its meeting at one of the national objectives, as established by Congress in the HCD Act. There are three federal national objectives for the Community Development Block Grant (CDBG) Program. However, for the 2026 Program Distribution Statement, the state will prioritize proposed CDBG activities meeting the following national objectives:

- A. Activities benefiting low-and-moderate income persons. An activity will be considered to address the objective of benefiting low-and moderate-income persons if it meets one of the criteria in this paragraph unless there is substantial evidence to the contrary. In assessing any such evidence, the full range of direct effects of the assisted activity will be considered. The activities, when taken as a whole, must not benefit moderate income persons to the exclusion of low-income persons:
 - a. Area Benefit Activities
 - i. An activity, the benefits of which are available to all the residents in a particular area, where at least 51 percent of the residents are low- and moderate-income persons. Such an area need not be coterminous with census tracts or other officially recognized boundaries but must be the entire area served by the activity. An activity that serves an area that is not primarily residential in character shall not qualify under this criterion. An activity where the assistance is to a public improvement that provides benefits to all the residents of an area.
 - ii. An activity to develop, establish and operate (not to exceed two years after establishment), a uniform emergency telephone number system serving an area having less than 51 percent of low- and moderate-income residents, when the system has not been operational before the receipt of CDBG funds, provided a prior written determination is obtained from HUD. HUD's determination will be based upon several certifications by the State [(See 24 CFR 570.483(b)(iii)].
 - Limited Clientele Activities
 - i. An activity which benefits a limited clientele, at least 51 percent of whom are low- and moderate-income persons. (The following kinds of activities may not qualify under this paragraph: activities, the benefits of which are available to all the residents of an area; activities involving the acquisition, construction or rehabilitation of property for housing; or activities where the benefit to low- and moderate-income persons to be considered is the

creation or retention of jobs.) To qualify under this paragraph, the activity must meet one of the following tests:

- It must benefit a clientele who are generally presumed to be principally low- and moderate-income persons. HUD presumes the following groups to meet this criterion: abused children, battered spouses, elderly persons, severely disabled adults, homeless persons, illiterate persons, persons with AIDS, and migrant farm workers; or
 - It must require information on family size and income so that it is evident that at least 51 percent of the clientele are persons whose family income does not exceed the low- and moderate-income limit; or
 - It must have income eligibility requirements which limit the activity exclusively to low- and moderate-income persons; or
 - It must be of such nature, and be in such a location, that it may be concluded that the activity's clientele will primarily be low- and moderate-income persons.
- ii. A special project directed to removal of material and architectural barriers which restrict the mobility and accessibility of elderly or disabled persons to publicly owned and privately owned non-residential buildings, facilities and improvements, and the common areas of residential structures containing more than one dwelling unit.
- Housing Activities
 - i. An eligible activity carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low- and moderate-income households. This would include, but not necessarily be limited to, the acquisition or rehabilitation of property, conversion of non-residential structures, and new housing construction as described in Section X. If the structure contains two dwelling units, at least one must be so occupied, and if the structure contains more than two dwelling units, at least 51 percent of the units must be so occupied. Where two or more rental buildings being assisted are or will be located on the same or contiguous properties, and the buildings will be under common ownership and management, the grouped buildings may be considered for this purpose as a single structure. For rental housing, occupancy by low- and moderate-income households must be at affordable rents to qualify under this criterion. The unit of general local government shall adopt and make public its standards for determining "affordable rents" for this purpose. The following shall also qualify under this criterion:
 - When less than 51 percent of the units in a structure will be occupied by low- and moderate-income households, CDBG assistance may be provided in the following limited circumstances:

- a. The assistance is for an eligible activity to reduce the development cost of the new construction of a multifamily, non-elderly rental housing project; and
 - b. Not less than 20 percent of the units will be occupied by low- and moderate-income households at affordable rents; and
 - c. The proportion of the total cost of developing the project to be borne by CDBG funds is no greater than the proportion of units in the project that will be occupied by low- and moderate-income households.
- Job Creation or Retention Activities
 - i. An activity designed to create permanent jobs where at least 51 percent of the jobs, computed on a full-time equivalent basis, involved the employment of low- and moderate-income persons. For an activity that creates jobs, the unit of general local government must document that at least 51 percent of the jobs will be held by or will be made available to low- and moderate-income persons.
 - ii. For an activity that retains jobs, the unit of general local government must make public and document that the jobs would actually be lost without the CDBG assistance and that either or both of the following conditions apply with respect to at least 51 percent of the jobs at the time the CDBG assistance is provided: The job is known to be held by a low or moderate income person; or the job can reasonably be expected to turn over within the following two years and that it will be filled by, or that steps will be taken to ensure that it is made available to, a low or moderate income person upon turnover.
 - iii. Jobs will be considered to be available to low- and moderate-income persons for these purposes only if:
 - Specialized skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the business agrees to hire unqualified persons and provide training; and
 - The unit of general local government and the assisted business take actions to ensure that low- and moderate-income persons receive first consideration for filling such jobs.
 - iv. As a general rule, each assisted business shall be considered to be a separate activity for purposes of determining whether the activity qualifies under this paragraph, except:
 - In certain cases, such as where CDBG funds are used to acquire, develop or improve a real property (e.g. a business incubator or an industrial park), the requirement may be met by measuring jobs in

the aggregate for all the businesses that locate on the property, provided the businesses are not otherwise assisted by CDBG funds.

- Where CDBG funds are used to pay for the staff and overhead costs of an UGLG specified in section 105(a)(15) of the Housing and Community Development Act of 1974 making loans to businesses from non-CDBG funds, this requirement may be met by aggregating the jobs created by all of the businesses receiving loans during any one-year period.

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SECTION II – PROGRAM DESIGN

In addition to meeting the prioritized National Objectives described in Section I above, proposed CDBG activities must meet qualifying eligibility requirements (i.e. economic development activities) to be considered for funding. The list of eligible activities is specified in Section 105 of the HCD Act and in the State CDBG program regulations at 24 570.482. If assistance is needed for interpretation, please contact the DCS for guidance.

Ineligible Uses – All Categories

The activities listed below are ineligible for CDBG and CDBG State Funds (SF). This list is not inclusive.

- A. General Government expenses
 - i. Except for where specifically authorized in this subpart or under state law, expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance under this part.
- B. Political activities
 - i. No expenditure may be made for the use of equipment or premises for political purposes, sponsoring or conducting candidate meetings, engaging in voter registration activity or voter transportation, or other partisan political activities.
- C. Religious Purposes
 - i. Renovation, rehabilitation, or conversion of buildings owned by primarily religious organizations or entities are generally ineligible activities. (Contact the DCS for guidance pertaining to eligible uses of CDBG funds involving primarily religious organizations or entities.)
- D. Income payments
 - i. Payments to an individual or family, which are used to provide basic services such as food, shelter (including payment for rent, mortgage, and/or utilities) or clothing
- E. Purchase of Equipment
 - i. The purchase of furnishings and personal property, except when necessary for use by an UGLG in the administration of its community development program, is generally ineligible (except for certain economic development projects). Examples are: (1)The purchase of office equipment and fixtures, (2) Motor vehicles, (3) Furnishings, (4) Personal property not an integral structural fixture
- F. Engineer/Architect Fees
- G. An UGLG that is not in current good standing with CDBG.

- i. If there is an open monitoring with an UGLG, you will not be able to apply until all corrective actions have been completed.
- ii. Housing projects includes property owners too.

For the 2026 Program Distribution Statement, the following categories and activities are prioritized for assistance:

PUBLIC FACILITIES

Note: The Division of Community Services will have the authority to deny any public facility project that is not well conceived and fully developed.

A. Public Facilities Special Requirements

1. Requirement for Public Improvements
 - a. All public improvement projects funded under the CDBG Public Facilities category shall procure plans, drawings, and specifications for the work from a licensed architect or registered professional engineer.
 - b. A copy of the State Health Department's letter of design approval must be submitted for all water and sewer projects prior to the first draw down of project funds.
2. Requirement for Infrastructure
 - a. All infrastructure projects will require a preliminary engineering/architectural report.
3. Requirement for projects purchasing equipment
 - a. No engineering/architectural report is required; however cost estimates are required.
4. The contents of a preliminary engineering/architectural report are as follows:
 - a. Name, address, telephone number of the person who prepared the report.
 - b. The date the report was prepared.
 - c. Age of the existing facility (if a replacement project).
 - d. Description of the problem.
 - e. Detailed discussion of alternatives and the scope of work for the proposed activity.
 - f. Detailed cost estimate (by line item) for the proposed project. (If scope of work includes more activities than proposed for the CDBG part of the project, please separate these activities and costs.)
 - g. Date and amount of the last increase of sewer and water rates

- h. What the current water and sewer rates are, what the rates would increase to without CDBG funding, what the rates would increase to with 50% CDBG funding, and what the rates would increase to with full CDBG funding.
 - i. Discuss the long-term operation and maintenance plan for the proposed facility. Include in the discussion future operation and maintenance costs. The discussion must provide a description of the plan to maintain the proposed public facility project technically and financially, or the total system of which the project is a component, for the long term after construction.
 - j. The preliminary engineering/architectural report must include current cost estimates.
5. It is highly recommended that each applicant proposing significant water, sewer or solid waste disposal activities discuss the proposed project with the State Health Department prior to submitting the preliminary engineering report in order to prevent any disagreements in the design of the solution.

B. Eligible Activities

1. The acquisition, construction, reconstruction, or installation (including design features and improvements with respect to such construction, reconstruction, or installation that promote energy efficiency) of public works, facilities (except buildings for the general conduct of government), and site or other improvements. (NOTE: due to a recent interpretation water meter replacement projects are direct benefit activities under the housing activity, the national objective is LMH).
2. The acquisition of real property (including air rights, water rights, and other interests therein) which is (A) appropriate for rehabilitation or conservation activities; (B) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (C) to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; or (D) to be used for other public purposes;
3. Provision of assistance including grants for activities which are carried out by public or private nonprofit entities, including (a) acquisition of real property; (b) acquisition, construction, reconstruction, rehabilitation, or installation of (i) public facilities (except for buildings for the general conduct of government), site improvements, and utilities, and (ii) commercial or industrial buildings or structures and other commercial or industrial real property improvements;
4. Clearance, demolition, removal, reconstruction, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements (including interim assistance, and financing public or private acquisition for

rehabilitation, and reconstruction or rehabilitation, of privately owned properties and including the renovation or reconstruction of closed school buildings);

5. Special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and disabled persons.
6. Disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to this title or its retention for public purposes;
7. Payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of activities assisted under this title;
8. Relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations; 49 CFR Part 24 or Section 104(d) of the Housing and Community Development (HCD) Act of 1974;
 - a. For detailed guidance, reference the state's Residential Anti-displacement and Relocation Assistance Plan, the Uniform Relocation Act Policy Guide, and the HUD URA Handbook 1378.

A. Ineligible Activities – Public Facilities

1. Buildings and facilities for the general conduct of government, and/or which are predominantly used for municipal purposes, except for removal of architectural barriers for handicapped accessibility:
 - a. City/Town Halls
 - b. Courthouse
 - c. Other headquarters of government where the governing body meets regularly
2. Operating and Maintenance Expenses
 - a. The general rule is that any expense associated with operating, maintaining, or repairing Public Facilities and works, or any expense associated with providing public services not assisted with block grant funds is ineligible for assistance. Examples of activities which are not eligible for block grant assistance are:
 - i. Routine maintenance and repair of streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for people with disabilities, parking and similar Public Facilities, filling of holes in streets, repairing of cracks in sidewalks, mowing of recreational areas, and replacement of expended street light bulbs.
 - ii. Regular payments of salaries for staff, utility costs, and similar expenses necessary for the operation of public works and facilities.
3. Special Assessments

- a. CDBG will not assist in any public facility projects that involve assessing residents to help pay for a project.
 - i. Special assessments are the recovery of the capital costs of a public improvement, such as streets, water or sewer lines, curbs, and gutters, through:
 - ii. A tax levied or filed as a lien against a parcel of real estate as a direct result of benefit derived from the installation of a public improvement
4. Nursing Facilities
- a. An institution or a distinct part of an institution established to provide health care under the supervision of a licensed health care practitioner and continuous nursing care for twenty-four or more consecutive hours to two or more residents who are not related to the licensee by marriage, blood, or adoption; and who do not require care in a hospital setting
 - i. Except for removal of architectural barriers for handicapped accessibility CDBG funds will not be utilized in nursing homes for expansion, renovation or general operation.
5. Rehabilitation and/or removal of architectural barriers
- a. If the public facility is not available and open to the general public during normal business hours for operation;
 - b. If fees are in excess to paying for maintenance, clean up, etc. Funds cannot go into a building that is making money by charging for an event, membership fees, etc.

HOUSING

This section describes specific requirements applicable to basic Rehabilitation and New Construction Housing activities. The Division of Community Services will have the authority to deny any housing project that is not well conceived and fully developed.

A. Housing Special Requirements

1. All housing projects will require a preliminary engineering/architectural report
2. Applicants are encouraged to determine the eligibility of potential household recipients by considering total net worth in addition to gross income.
3. Applicants must include in their application evidence of the following:
 - a. All residents of the city/county were notified of the availability of CDBG funds.
 - b. All eligible residents were given the opportunity to apply for program assistance.

- c. The applicant review process was conducted in a manner which eliminates conflict of interest. This is accomplished by removing from the decision-making process anyone who is a direct applicant or related to an applicant.
4. The Section 8 Housing Quality Standards (HQS) Checklist must be used to identify housing rehabilitation needs. All inspectors must be Section 8 HQS Certified or be an individual who has demonstrated knowledge of the State Building Code. If the inspector is not HQS certified, the application must include the inspector's qualifications and knowledge of the State Building Code. The State requires that all rehabilitation work must meet Section 8 Housing Quality Standards or the State Building Code, whichever is more restrictive.
5. North Dakota CDBG Affordable Rent Policy for Multi-Dwelling Units
 - a. Rental units rehabilitated totally or in part with CDBG funds must be occupied by low- and moderate-income persons at affordable rents. Affordable rent is defined as 30 percent of the gross household income as determined by Section 8 of Title I of the Housing and Community Development Act of 1974.
 - b. A "majority" of the units in a building after rehabilitation must be occupied by low- and moderate-income persons at affordable rents.
6. Single family rehab
 - a. Requires a minimum of two or more houses in the same city or county
 - b. LMI
 - c. Follow fair market rents

B. Eligible Activities – Housing

1. Any activity carried out with CDBG funds that involves the acquisition or rehabilitation of property to provide housing is considered to benefit persons of low and moderate income only to the extent such housing will, upon completion, be occupied by such persons at affordable rents. In addition, a "majority" of the units in a multi-dwelling building must be occupied by low- and moderate-income persons at affordable rents.
 - a. Rehabilitation must justify that it is addressing health and safety issues.
 - b. Rehabilitation done outside of the building (i.e. sidewalks) can only be up to 35% of the entire project.
 - c. Rehabilitation done outside of the building must be for the needs of the residents of the building.
2. Assistance to neighborhood-based nonprofit organizations, local development corporations, nonprofit organizations serving the development needs of communities of non-entitlement areas, or entities organized under section 681(d) of Title 15 to carry out a neighborhood revitalization or community economic development or energy conservation project in furtherance of the objectives of section 5301(c) of this title, and assistance to

neighborhood-based nonprofit organizations, or other private or public nonprofit organizations, for the purpose of assisting, as part of neighborhood revitalization or other community development; the development of shared housing opportunities (other than by construction of new facilities) in which elderly families (as defined in section 1437a(b)(3) of this title) benefit as a result of living in a dwelling in which the facilities are shared with others in a manner that effectively and efficiently meets the housing needs of the residents and thereby reduces their cost of housing;

3. Lead-based paint hazard evaluation and reduction, as defined in Section 4851b of this title.
4. Relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations; 49 CFR Part 24 or Section 104(d) of the Housing and Community Development (HCD) Act of 1974 in conjunction with CDBG rehab;
 - a. For detailed guidance, reference the state's Residential Anti-displacement and Relocation Assistance Plan, the Uniform Relocation Act Policy Guide, and the HUD URA Handbook 1378.

C. Ineligible Activities - Housing

1. Assisted Living
 - a. A building or structure containing a series of at least five living units operated as one entity to provide services for five or more individuals who are not related by blood, marriage, or guardianship to the owner or manager of the entity and which is kept, used, maintained, advertised, or held out to the public as a place that provides or coordinates individualized support services to accommodate an individual's needs and abilities to maintain as much independence as possible.
2. Manufactured homes
 - a. A type of prefabricated residence that has its standardized parts constructed and assembled in a factory; it is then transported and affixed to a location.
3. Provision of direct assistance to facilitate and expand homeownership among persons of low and moderate income (except that such assistance shall not be considered a public service of purposes of paragraph (8) by using such assistance to:
 - a. Subsidize interest rates and mortgage principal amounts for low- and moderate-income homebuyers;
 - b. Finance the acquisition by low- and moderate-income homebuyers of housing that is occupied by the homebuyers;
 - c. Acquire guarantees for mortgage financing obtained by low- and moderate-income homebuyers from private lenders (except that amounts received under this

- title may not be used under this subparagraph to directly guarantee such mortgage financing and UGLGs under this title may not directly provide such guarantees);
- d. Provide up to 50 percent of any down payment required from low- or moderate-income homebuyer; or
 - e. Pay reasonable closing costs (normally associated with the purchase of a home) incurred by a low- or moderate-income homebuyer.
4. Utility connections that are not in the public right-of-way.
 - a. This includes but is not limited to water, sewer, and gas.
 5. Maintenance
 - a. The rehabilitation cannot be cosmetic and must address health and safety.

ECONOMIC DEVELOPMENT

This program is targeted to the Primary Sector business proposals which will operate within North Dakota. Economic Development assistance is intended to be used in situations where a funding gap exists, and alternative sources of public and private financing are not adequate.

On a case-by-case basis, a request to waive any of the policy and procedures must be approved and granted by the Division of Community Services. The Division of Community Services will have the authority to deny any economic development project that is not well conceived and fully developed. All economic development projects will be funded with CDBG State Funds (SF). Depending on a low balance, these may be grants and/or loans.

A. Economic Development Special Requirements

1. Request for economic development are accepted anytime throughout the year. All requests must go through the Division of Community Services. The Pre-Application must be reviewed and approved by the Division of Community Services. The Division of Community Services will make their recommendation based on the scoring criteria.
2. The decision to fund Economic Development related project(s) will be based on the significant impact to the state's economy and must meet one of the following criteria:
 - a. does the project create jobs;
 - b. is the business viable;
 - c. will the project have a positive impact on the community and state; and
 - d. will the business create new wealth in the community and state.

3. Limitation of Award of Funds for Economic Development Projects
 - a. Applicants who have previously received an award for economic development and need additional funds for expansion may apply for additional funds if:
 - b. The existing project is current;
 - c. All other requirements of the program are met; and
 - d. The total outstanding at any time is not more than \$500,000.
 - e. Eligible under environmental review regulations. Reach out to DCS staff for this determination.

These applications will be considered using the same criteria used for all other economic development applications.

No individual, corporation, or organization with an existing program loan or has defaulted on a loan that is not in good standing at the local and/or state levels may receive additional or new financing from the program.

4. The proposed activity must be CDBG eligible and meet a national objective. Note: The State is not prioritizing urgent need projects for the current fiscal year. The Program Design for Economic Development must be followed for meeting a national objective through job creation and retention for low- and moderate-income persons.
5. Administrative funds will be awarded based on the same formula as other CDBG projects.
6. Any CDBG program income returned to the state will be redistributed to the statewide fund in which the funds originated. The program income funds will be used for economic development activities in the state.
7. The North Dakota Economic Development Program will not assist projects that facilitate the relocation of industrial or commercial facilities within the state, unless the region finds such relocation does not adversely affect the level of unemployment, available jobs or the economic base of the area from which the industrial or commercial plant or facility is to be re-located. In order to satisfy this requirement, the grant applicant must submit sufficient evidence that:
 - a. The relocation will not have a significant economic effect on the community of original site location, and/or
 - b. The city/county of original site location cannot provide similar facilities and/or conditions as offered by the city/county where the business is proposing to relocate.
8. The cost per permanent, full-time equivalent (FTE) job for SF should be at or below \$35,000. Please consult with DCS.

9. Only those jobs proposed to be created within the first two years will receive consideration during the review process. The two-year period begins with the date of the financial award.
10. At least 51 percent of the jobs to be created or retained must be held or made available to low- and moderate-income persons. LMI status is based on family gross income at the time of hiring. It is not based on the salary to be paid.

Each applicant is required to provide evidence that the business has contacted Job Service of North Dakota if 51% of the jobs created are not filled by low- and moderate-income individuals.

11. Only permanent jobs may be considered in determining proposed jobs to be created or retained. All jobs must be on a "full-time equivalent (FTE)" basis. Full time is based on 32 hours per week. In converting part time jobs to full time, the applicant must indicate the hours of employment for each part time position. Jobs created prior to a Financial Award will not be counted as new jobs.
 - a. Seasonal jobs may be considered only if the business can demonstrate that the duration of the season will be long enough for the job to be considered as a person's principal occupation. Jobs taken by students who are legal dependents or by persons such as farmers and school teachers employed during their off season, cannot be considered as a principal occupation. The applicant must also demonstrate that the job itself is a permanent position. Seasonal jobs are not permitted.
12. For an activity that retains jobs, the unit of general local government must document that the jobs would actually be lost without the SF assistance and that either or both of the following conditions apply with respect to at least 51 percent of the jobs at the time the SF assistance is provided: The job is known to be held by a low or moderate income person; or the job can reasonably be expected to turn over within the following two years and that it will be filled by or that steps will be taken to ensure that it is made available to a low or moderate income person upon turnover.

Applicants proposing job retention must undertake a survey of those retained individuals to determine their household income and status as a full or part-time employee. A copy of each survey must be submitted with the original application. A sample survey form is included on the DCS website.

13. Grocery Stores ONLY - An applicant may apply for economic development funds for a project that proposes to provide area benefit. This is an activity, the benefits of which are available to all the residents in a particular area, where at least 51 percent of the residents are low- and moderate-income persons. Such an area need not be coterminous with census tracts or other officially recognized boundaries but must be the entire area served

by the activity. Units of general local government may, at the discretion of the state, use either HUD provided data comparing census data with appropriate low- and moderate-income levels or survey data that is methodologically sound. An activity that serves an area that is not primarily residential in character shall not qualify under this criterion.

The project must provide goods or services to residents of an area, such that the number of low- and moderate-income person residing in the areas served by the assisted businesses amounts to at least one low- and moderate-income person per \$350 of SF funds used.

Where SF assistance for an activity is expected both to create or retain jobs and to provide goods or services to residents of an area, the UGLG may elect to count the activity under either the jobs standard or the area resident's standard, but not both.

14. Each applicant must identify the sources and uses of matching funds. Matching funds may come from a variety of sources, such as new investments by a firm to be assisted, bank loans, loans to be repaid to a state or federal loan program, or grants. Applicants must include documentation committing matching dollars that at least indicates funds are available contingent upon the receipt of SF. Applicants must meet a minimum leverage requirement of 1:1. To ensure compliance with the federal environmental regulations, consultation with the DCS should commence prior to any commitment of funds. The following will not be considered as match:
 - a. In-kind services;
 - b. Refinancing of existing debt; and
 - c. An operating line of credit - unless it can be proved that it will be spent within the budget period.
15. An equity investment which equals a minimum of 10 percent of the total project cost must be made by the principal(s). Unless in the case of nonprofit corporations where equity requirements may be less, however, they will be determined on their own merits. This equity requirement may be met through a direct cash injection or through tangible balance sheet equity, as defined by generally acceptable accounting principles. The equity must be available upon receipt of the full application.

Equity is defined as capital that has no guaranteed or mandatory repayment or has no definite timetable for repayment of the capital investment and cannot be withdrawn at the contributor's option without the permission of the superior debt holders. In the event a source of grant funds is proposed as equity, the funds must be firmly committed.

16. In the process of reviewing an application and developing a funding recommendation, the applicant may be required to secure a first, shared first, or second security position on the assets, or other forms of collateral for the project. A third position may be considered on a case-by-case basis. Approval must be requested from DCS for this to occur.

17. Each applicant must provide a signed letter of commitment from the business that upon award of SF to the applicant, it will locate or expand its business in the applicant's jurisdiction.
18. Child Care ONLY – must be publicly owned or owned by a nonprofit and operated to be open to the general public. Fees must be reasonable and at or below the state provider rates set by the North Dakota Department of Health and Human Services.

B. Economic Development Funding

The focus will be to fund primary sector projects.

Primary Sector: “Primary sector business” means an individual, corporation, limited liability company, partnership, or association certified by the ND Department of Commerce Division of Economic Development and Finance, which through the employment of knowledge or labor adds value to a product, process, or service which results in the creation of new wealth. A North Dakota business that does not qualify under this definition may be approved by the ND Department of Commerce Commissioner if the business provides a community an essential service. Reach out to DCS staff for further inquiry.

“Primary sector business” includes tourism but does not include production agriculture.

“Production agriculture” means the production of crops and livestock on or near a farm as part of the regular farm enterprise directed by a farm operator and the farm operator’s partners. The term does not include an investor-owned livestock feeding or milking operation located apart from a farm headquarters which is managed by employees.

1. Funding Cycle

Primary - Funding cycles will remain open year-round and in accordance with the timely distribution of funds listed in Section IV.

C. Business Plan

NOTE: All business plan information and financial exhibits will be considered confidential, for evaluation purposes only, and will not, except as required by law, be provided to any third person, firm, corporation, or public entity without the express written consent of the business.

Each applicant must submit a business plan for each business or entity to receive direct assistance, whether for-profit or nonprofit. Each business plan must contain sufficient information in order to obtain an adequate understanding of the business to be assisted, including the products or services offered, estimated market potential, management

experience of principals, current financial posture, and details of the proposed venture. The business plan components contained in this section are required for economic development applications involving grants, or public improvements directly assisting for-profit or nonprofit entities.

Applications involving more than one business will require a longer review period. Each business included in an application will be evaluated separately.

The business plan must include the following elements and must provide sufficient detail for adequate analysis:

1. Sample Business Plan Format

A well thought out business plan is important when requesting financial assistance from the DCS. This outline represents a general approach: business plans should be tailored to the specific business project.

Executive Summary – should concisely describe the key elements of the business plan.

- Business location and plan description.
- Discussion of the product, market, and competition.
- Expertise of the management team (attach resumes).
- Summary of historical and financial projections.
- Amount of financial assistance requested.
- Form of and purpose for the financial assistance.
- Complete uses and sources of funds.
- Business goals and objectives.

2. The Company

A general description of the business, including the product or service.

- Tax identification number.
- Historic development of the business, including such items as:
 - Name, date and place (state) of formation, and legal structure (e.g., proprietorship, partnership, corporation).
 - Significant changes (include dates) in ownership, structure, new products or lines, acquisitions.
 - Subsidiaries and percentage of ownership, including minority interests.
 - Principals and the roles they played in the formation of the company.

3. The Product/Service/Jobs-describe the present product or service lines, including:

- Relative impact of each product or service to the sales projections.
- Product evaluation (use, quality, performance).
- Compare competitors' product lines, and competitive advantages over other producers.

- Demand for the product(s).
- General description of the project, the purpose for which it is undertaken, projected job creation, and salary/wage rates for all employees.

4. Management

- Organizational chart.
 - Key individuals (include supervisory personnel having noteworthy value to the organization – Responsibilities).
- Personnel resumes (describing skills and experience as they relate to activities of the business).
- Present salaries (include other compensation such as stock options and bonuses).
- Other employees:
 - Number of employees at year end, total payroll expenses for each of the previous three years (breakdown by wages, benefits).
 - Method of compensation
 - Departmental/divisional breakdown of workforce.
 - Planned staff additions.

5. Ownership

- Names, addresses and business affiliations of principal holders of subject's common stock and other types of equity securities (include details on holdings).
- Degree to which principal holders are involved in management.
- Principal non-management holders.
- Names of board directors, areas of expertise, and the role of the board when business is operational.
- The amount of stock currently authorized and issued.

6. Marketing Plan

- Describe the industry and the industry outlook. Identify the principal markets (commercial/industrial, consumer, government, international). Include the current industry size as well as its anticipated size in the next two years. Explain the sources of the projections.
- Describe major characteristics of the industry.
- Describe the effects of major social, economic, technological, or regulatory trends on the industry.
- Describe major customers, including names, products or services sold to each; percentage of annual sales volume for each customer over the previous three years; duration and condition of contracts in place.
- Describe the market and its major segments. Describe principal market participants and their performance. Identify the firm's target market. For each customer, include the requirements of each and the current ways of meeting these requirements. Also

include information on the buying habits of the customers and the impact on the customer using the product or service.

- Describe the companies with which the business competes and how the business compares with these competitive companies. This is a more detailed narrative than that contained in the description of the product or service above.
- Describe prospective customers and their reaction to the firm and any of the firm's products or services they have seen or tested.
- Marketing strategies. Describe the firm's marketing strategy, including overall strategy; pricing policy; method of selling, distributing, and servicing the product; geographic penetration; field/product support; advertising; public relations and promotion and prioritization.
- Selling activities. Describe how the firm will identify prospective customers and how and in what order the firm will contact the relevant decision-makers. Also describe the sales effort the firm will have (e.g., sales channels and terms, number of salespersons, number of sales contacts, anticipated time, initial order size) and estimated sales and market share.

7. Technology

- Describe the technical status of the product (idea stage, development stage, prototype stage) and the relevant activities, milestones, and other steps necessary to bring the product into production.
- Describe the present patent or copyright position. Include how much is patented and how much can be patented (e.g., how comprehensive and effective the patents or copyrights will be). Include a list of patents, copyrights, licenses, or statements of proprietary interest in the product or product line.
- Describe recent technologies that may become practical in the next two years which may affect the product.
- Describe new products (derived from first generation products) the firm plans to develop to meet changing market needs.
- Describe regulatory or approval requirements and status and discuss any other technical and legal considerations that may be relevant to the technological development of the product.
- Describe current and future plans for research and development efforts.

8. Production/Operating Plan

Explain how the firm will perform production or delivery of service. Describe capacity and status in terms of:

- Physical facilities. Owned or leased, size and location, existing facilities (sales volume and unit capacity), expansion capabilities and capital equipment (types and quantities). Include a facilities plan and description of planned capital improvements and a timetable for those improvements.

- Suppliers. Name/location of principal suppliers, length of lead time required, usual terms of purchase, contracts (amounts, duration, and conditions) and subcontractors.
- Labor supply (current and planned). Number of employees, unionization, stability (seasonal or cyclical), and fringe benefits (insurance, profit sharing, pension).
- Key patents (provide profile).
- Technologies/skills required to develop and manufacture the products (provide listing/description).
- Cost breakdown for material, labor, and manufacturing overhead for each product, plus cost versus volume curves for each product.
- Manufacturing processes – block and workflow diagram, if helpful.
- Describe production or operating advantages. Discuss whether they are expected to continue.
- Specify standard product costs at different volume levels.
- Present a schedule of work for the next one to two years.

9. Financial

- Accountant – name, address
- Legal counsel – name, address
- Banker – name, location, telephone number, and contact officer.
- A funding request detailing the desired financing, including uses and sources of funds. If phased financing, describe phases, projected timing and detailed uses and sources of funds.
- Amount to be raised from debt and amount from equity.
- Plans to “go public” (Relate this to future value and liquidity of investments.).
- Company historical financial statements and tax returns for the previous three years.
- Three years projected financial statements (years one and two should be monthly; year three quarterly). Projections should include profit and loss, balance sheet and cashflow statements. Include key assumptions made in the proformas and how these assumptions reflect industry performance. Three years projected capital expenditures including leases and acquisitions.
- An aging of accounts receivable and an aging of accounts payable.
- Personal financial statements and three years of tax returns of principal(s).

D. Eligible Activities – Economic Development

1. Applicants may apply for grants for activities which are carried out by public or private nonprofit entities, including (a) acquisition of real property; (b) acquisition, construction, reconstruction, rehabilitation, or installation of 1) public facilities (except for building for the general conduct of government); 2) commercial or industrial buildings or structures and other commercial or industrial real property improvements; 3) equipment

2. Provision of assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that:
 - a. Creates or retains jobs for low- and moderate-income persons;
 - b. Creates or retains businesses owned by community residents;
 - c. Assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents; or
 - d. Provides technical assistance to promote any of the activities under subparagraphs i. through iv.
3. 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, which assistance shall not be considered a planning cost

E. Ineligible Activities – Economic Development

1. Microenterprises/Micro Loan Funds
 - a. Activities designed to foster the development, support, and expansion of microenterprise businesses
2. Working capital for economic development projects.
 - a. Funds available to meet current, short-term obligations.
3. Purchase of stocks for economic development projects.
4. Inventory for economic development projects.
5. Refinancing existing debt and interest buydown.
6. Operating funds
7. Infrastructure

SECTION III – GENERAL INFORMATION FOR APPLICANTS

A. Eligible Applicants

Eligible applicants under the Community Development Block Grant Program are limited to counties and incorporated cities:

1. A city is the eligible applicant for activities designed to take place within city limits. A city may apply for a project which would include an activity to be located outside city limits if the proposed activity will principally benefit residents within the city's jurisdiction, such as a solid waste disposal site, a water or sewage treatment facility, an economic development project or if the activity involves property/facilities over which the city has direct control as the owner/operator, and for which a county could not apply.
2. A county is the eligible applicant for activities designed to take place outside the limits of an incorporated city and in unincorporated areas. A county, however, may apply for an activity within an incorporated city that involves property/facilities over which the county has direct control as the owner/operator, and for which a city could not apply, such as a county courthouse. A county will not be limited to the number of unincorporated areas for which it may submit an application.
3. Where two or more eligible local governments (cities or counties) face a common community development problem, a joint application may be submitted with one local government designated as the lead applicant. To submit this type of application, the following conditions must be met:
 - a. The problem to be addressed involves joint ownership and lies in an area of contiguous or overlapping jurisdiction;
 - b. The solution to the communal problem clearly requires cooperative action and is the most efficient strategy;
 - c. The local governments involved must submit a signed cooperative agreement which defines who will be responsible for the administration and implementation of the grant if awarded.
4. When submitting an application for a fire department/fire district, the following guidance for determining the eligible, or lead applicant is applicable:
 - a. If a fire department/fire district primarily serves an eligible community, that community is the eligible applicant.
 - b. If a fire department/fire district serves an eligible community, as well as the immediate surrounding area, then the community is the eligible applicant.
 - c. If a fire department/fire district serves an area consisting of two or more counties, then the parent county (that county in which a majority of the area of the fire district is located) is the eligible applicant.
 - d. A county is the eligible applicant for rural fire departments/districts not primarily serving an incorporated area.

B. Types of Grants Available

1. Applicants may only apply for a single activity per application.
2. If the UGLG has an open CDBG project, you cannot submit a new application for the same project.
 - a. Additional funding for the same project should be submitted as a formal amendment.

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SECTION IV – ALLOCATION OF FUNDS

This section of the Program Distribution Statement describes the estimated allocation of funds the state will receive in FY2025.

A. Funds Available

FY 2026 Allocation	\$ 3,551,615.00
Plus Program Income	\$ 145,371.00
Total Funding	\$ 3,696,986.00
Less State Administration and Technical Assistance	\$ 210,909.00
Total Allocation Available for Projects	\$ 3,486,076.00
Less 10% Unallocated Funds	\$ 369,699.00
Total Allocation Available for DCS Fund Round	\$ 3,116,377.00
Prior Years Unobligated Funds/State Funds (SF)	\$ 2,594,989.00

The State is leaving 10% of the allocation unobligated. These funds will be used for amendments during the fiscal year on projects that may arise with unexpected circumstances, such as an environmental review that needs an ASTM Phase 1, increase in materials from time of pre-application to actual bidding, etc. Amendments will be approved/disapproved on a case-by-case basis and may vary based on the amount of unallocated funds at that time. Any unobligated and/or deobligated funds as of July 31, 2027, will be recaptured. These funds will be made available in the following years funding round, and/or a special funding round, and/or amendments for open projects that need more funding. Total allocation available for DCS funding round may decrease or increase prior to the open scoring and ranking round. All and only Economic Development projects will be funded with CDBG State Funds (SF). If SF reaches a low balance, loans may be awarded instead of grants for the Economic Development program.

Prior to actual funding decisions and from time to time as necessary, the Estimated Funds Available for Distribution will be adjusted to reflect any unobligated and returned funds that may be available.

Should the state receive recaptured funds from the Department of Housing and Urban Development, those funds will be available for distribution during the year in which those funds are received. (Recaptured funds are funds that the Department of HUD deobligates from other States for infractions such as not meeting timely distribution of funds, disallowed cost, etc.).

B. Project Administration Cap

North Dakota encourages Units of Local Government to apply for grant CDBG funds to help offset the cost of administering projects funded by CDBG grants. The State will follow the HUD regulation and not exceed 20% of the allocation:

FY 2026 Allocation	\$ 3,551,615.00
Plus Program Income	\$ 145,371.00
Total	\$ 3,696,986.00
Project Administration Cap	\$ 528,488.00

Refer to Section V General Policies and Procedures for further guidance on the maximum amount allowed per project.

C. Estimate of Funds to Benefit Low- and Moderate-Income Persons

Title I of the Housing and Community Development Act of 1974, as amended (HCD ACT), requires that the State must estimate the amount of funds to be used to primarily benefit low- and moderate-income persons. Since the State must assure that for the three-year period 2025, 2026, and 2027, 70 percent of its funds benefit low- and moderate-income persons, the following depicts the minimum amount for CDBG activities that must benefit such persons:

FY 2027 Allocation	\$3,500,000	
+ Program Income	\$ 0	
Total Funding	\$3,500,000	
- State Admin & TA	\$ 209,361	
- Local Administration	\$ 490,639	
	\$2,800,000	
	\$1,960,000	For LMI Activities

FY 2026 Allocation	\$TBD	
+ Program Income	\$	
Total Funding	\$	
- State Admin & TA	\$	
- Local Administration	\$	
	\$	
	\$	For LMI Activities

FY 2025 Allocation	\$3,551,615	
+ Program Income	\$ 145,371	
Total Funding	\$3,696,986	
- State Admin & TA	\$ 210,909	
- Local Administration	\$ 528,488	
	\$2,957,589	
	\$2,070,312	For LMI Activities

North Dakota will ensure that the 70 percent requirement is met during the three-year period beginning with the 2025 program year. This will be achieved through the State's funding distribution system.

D. Grant Minimum and Maximum

Waivers may be requested on a case-by-case basis. Minimum and maximum grant levels (including administration) are as follows:

Public Facilities

Minimum Amount \$75,000
Maximum Amount \$1,000,000

Housing – Single Family

Minimum Amount \$200,000
Maximum Amount \$1,000,000

Housing – Multi-Family

Minimum Amount \$100,000
Maximum Amount \$1,000,000

Economic Development

Minimum Amount \$100,000
Maximum Amount \$1,000,000

E. Timely Distribution of Funds

One hundred percent (100%) of FY2026 CDBG funds must be obligated and announced to units of general local governments within 15 months of the State signing its grant agreement with HUD.

Any unobligated and deobligated funds as of July 31, 2027, will be recaptured. These funds will be made available in Fall 2027 through the DCS funding round for FY2027, and/or a special funding round, and/or amendments.

All CDBG applications and amendments must contain original signatures and be received in the DCS office by June 13, 2027, for the 2026 program year. Full applications that do not adhere to this date will no longer be entitled to the funding from FY2026.

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SECTION V – GENERAL POLICIES AND PROCEDURES

This section identifies general policies and procedures that are applicable to all applicants and activities.

A. Policies and Procedures

1. An UGLG must sign and return its Financial Award within 60 days of the effective date of the award, or the award may be terminated.
2. **Federal funds may not be obligated or bid prior to a Financial Award and the completion of the environmental requirements.** Once a financial award has been issued but prior to completion of the environmental review requirements the UGLG may only incur eligible administrative, engineering, and architectural costs. If CDBG funds are being used for administration, an environmental review form for exemption must be filled out and approved by the Division of Community Services before procuring out for administration. For further guidance on this environmental exemption, please refer to Chapter 7 of the CDBG Administrative Manual. To ensure compliance with the federal environmental regulations, consultation with the DCS should commence prior to any commitment of funds.
3. An UGLG may not change the activities of an approved project without first obtaining written approval from the DCS. A request for amendment form (SFN52355) must be completed for this approval. If requesting additional funding and approved by DCS staff, the additional funds will come out of the 10% unallocated funds.
4. If an UGLG has not incurred eligible project costs for other than administrative activities within **twelve** months of the effective date of the Financial Award, the award can be terminated at the option of the DCS. Administrative expenses will be allowed on projects that do not come to fruition. The amount will be determined on a case-by-case basis. If project dollars are deobligated, administrative funds will be deobligated proportionately. Based on documented expenses, up to 10 percent of CDBG administrative funds budgeted will be allowed.
5. The State of North Dakota is required to use the U.S. Department of Housing and Urban Development's (HUD) Integrated Disbursement and Information System (IDIS) for drawing funds and reporting accomplishments. HUD has enhanced IDIS to improve oversight of CDBG activities. This requires UGLGs of CDBG awards from the state to proceed with projects in a timely manner. IDIS requires justification from the state with review by HUD for activities that meet the following conditions:
 - a. Activities that have had no draws two years from the initial funding date;
 - b. Activities that have had no draws for a year, subsequent to the first draw for an activity;

- c. Activities that have not reported accomplishments for three years;
 - d. Activities that have 80 percent of their funded amount disbursed and no accomplishments reported;
 - e. Activities that are cancelled after funds have been drawn; and
 - f. Draws revised from one activity to another.
6. Affirmatively Furthering Fair Housing:
- a. Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601 et seq.), as amended. The law states that it is the policy of the United States to provide for fair housing throughout the United States and prohibits any person from discriminating in the sale or rental of housing, the financing of housing or the provision of brokerage services, including in any way making unavailable or denying a dwelling to any person, because of race, color, religion, sex, national origin, familial status or disability. CDBG UGLG must also administer programs and activities relating to housing and community development in a manner that affirmatively promotes fair housing and furthers the purposes of Title VIII; and
 - b. Executive Order 11063, as amended by Executive Order 12259, requires CDBG UGLG to take all actions necessary and appropriate to prevent discrimination because of race, color, religion, creed, sex or national origin; in the sale, leasing, rental and other disposition of residential property and related facilities (including land to be developed for residential use); or in the use of occupancy thereof if such property and related facilities are, among other things, provided in whole or in part with the aid of loans, advances, grants or contributions from the federal government.
7. If fees are charged for the use of facilities assisted with CDBG funds, or charges such as membership fees which will have the effect of preventing lower-income persons from using the facilities are not permitted.
- a. Reference Section II, A. Ineligible Activities – Public Facilities
8. If the final activity costs are less than originally funded, the amount of CDBG funds awarded and local funds will be adjusted proportionately.
9. In-kind contributions will not be considered as eligible match dollars except for land purchased within a twelve-month period prior to a grant application in association with a proposed Public Facilities activity. In-kind contributions are those that represent the value of noncash contributions provided by or to the UGLG, regardless of the source.
10. The legislature adopted a moratorium on the expansion of basic care and nursing home beds and to be consistent with legislative intent ([NDCC 23-09.3-01.1](#)). CDBG funds will not be used in this area. Definitions regarding these facilities are as follows:
- a. Assisted Living
 - i. A building or structure containing a series of at least five living units operated as one entity to provide services for five or more individuals

who are not related by blood, marriage, or guardianship to the owner or manager of the entity and which is kept, used, maintained, advertised, or held out to the public as a place that provides or coordinates individualized support services to accommodate an individual's needs and abilities to maintain as much independence as possible. An assisted living facility does not include a facility that is a congregate housing facility, licensed as a basic care facility, or licensed under chapter 23-16 or 25-16 or section 50-11-01.4.

b. Basic Care

- i. A facility licensed by the department under North Dakota Century Code chapter 23-09.3 whose focus is to provide room and board and health, social, and personal care to assist the residents to attain or maintain their highest level of functioning, consistent with the resident assessment and care plan, to five or more residents not related by blood or marriage to the owner or manager. These services shall be provided on a twenty-four-hour basis within the facility, either directly or through contract, and shall include assistance with activities of daily living and instrumental activities of daily living; provision of leisure, recreational, and therapeutic activities; and supervision of nutritional needs and medication administration.

c. Nursing Facility

- i. An institution or a distinct part of an institution established to provide health care under the supervision of a licensed health care practitioner and continuous nursing care for twenty-four or more consecutive hours to two or more residents who are not related to the licensee by marriage, blood, or adoption; and who do not require care in a hospital setting

11. Administrative funds may be requested at the following levels:

- a. Housing Rehabilitation and Conversion – 20% of CDBG project funds requested, up to a maximum of \$30,000
- b. Public Facilities Construction, Public Facilities in support of new Housing, - 15% of CDBG project funds requested, up to a maximum of \$20,000 and a minimum of \$1,000.
- c. Public Facilities Non-Construction – 10% of CDBG project funds requested, up to a maximum of \$10,000 and a minimum of \$1,000
- d. Economic Development Construction – 18% of CDBG project funds requested, up to a maximum of \$20,000 and a minimum of \$1,000.
- e. Economic Development Purchase of Equipment, Economic Development Acquisition of Buildings – 15% of CDBG project funds requested, up to a maximum of \$15,000 and a minimum of \$1,000

Because of a HUD regulated cap on administration funds for projects, DCS has the authority to not award out all and/or any on any project requesting CDBG administration

funds at time of pre-application. On a case-by-case basis, a project may need to request administration funds that are over the cap amount allowed. A request for an amendment form (SFN 52355) must be submitted to DCS with justification. DCS will evaluate the request for amendment to determine whether an adjustment in administration dollars is approved or denied.

Administrative dollars will be paid to the UGLG on a reimbursement basis. Supporting documentation for administrative expenses must be available in the UGLG file and may be a required submission with the UGLG's administrative Request for Funds (SFN 4630). If the UGLG chooses not to administer the project itself, Procurement Methods in the CDBG Admin Manual must be followed. Please reference Section 6.

If the UGLG administers the project, time sheets will be required for documentation. Should the UGLG have more than one source of administrative funds, CDBG funds will only reimburse eligible costs. The UGLG is responsible for cost allocating other funds proportionally to the project.

DCS will hold 10% of the authorized administrative funds until the project final report has been received and approved.

12. Income verification must be completed on 100 percent of the households receiving direct benefit from CDBG activities. Acceptable verification consists of: income tax forms for the last 12-month period or income tax forms closest to verification date; SSA 1099 forms; and State of North Dakota Department of Human Services/Social Service Income Statement. Other sources of documentation must be first approved by the DCS.
13. **Amendments for more funds.** The State is leaving 10% of the allocation unobligated. These funds will be used for amendments during the fiscal year on projects that may arise with unexpected circumstances, such as an environmental review that needs an ASTM Phase 1, increase in materials from time of pre-application to actual bidding, administration on the project, etc. Amendments will be approved/disapproved on a case-by-case basis and may vary based on the amount of unallocated funds at that time.
14. All construction projects require a preliminary engineering/architectural report. This must be submitted with the pre-application and if not the application will be considered incomplete and will not be scored.
 - a. A waiver to not submit this may be approved on a case-by-case basis. DCS staff must be notified, and approval given to submit waiver no later than July 10, 2026. If approved, you will need to include your approval from DCS in the pre-application.

B. Statement of Assurances

Upon award the UGLG will need to sign a statement of assurances and certifications that include but is not limited to the following:

1. Access to Records
 - a. It will give the State of North Dakota, DCS, State Auditor's Office, and the Comptroller General of the United States, through any authorized representatives, access to and the right to examine all records, books, papers, or documents related to the grant.
2. Building Standards
 - a. The UGLG must ensure that activities involving new building construction, alterations, or rehabilitation comply with the State Building Code (NDCC Chapter 54-21.3). Uniform Building Code and Uniform Mechanical Code and Section 54-21.3-04.1 requires compliance with the Americans with Disabilities Act Guidelines (ADAAG). For new construction of multi-family dwellings containing four or more units, the UGLG must assure compliance with the Fair Housing Accessibility Guidelines for the implementation of the accessibility requirements of the Fair Housing Act.
3. Conflict of Interest
 - a. Conflicts prohibited.
 - i. Except for eligible administrative or personnel costs, the general rule is that no persons described in paragraph (b) of this section who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this subpart or who are in a position to participate in a decision- making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from the activity, or have an interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure and for one year thereafter.
 - b. Persons covered.
 - i. The conflict-of-interest provisions for paragraph (a) of this section apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the state, or of a unit of general local government, or of any designated public agencies, or subrecipients which are receiving CDBG funds.
 - c. Exceptions - Thresholds requirements
 - i. Upon a written request by the State, an exception to the provisions of paragraph (a) of this section involving an employee, agent, consultant, officer, or elected official or appointed official of the state may be granted by HUD on a case-by-case basis. In all other cases, the state may

grant such an exception upon written request of the unit of general local government provided the state shall fully document its determination in compliance with all requirements of this paragraph including the state's position with respect to each factor to be considered for exceptions and such documentation shall be available for review by the public and by HUD. An exception may be granted after it is determined that such an exception will serve to further the purpose of the Act and the effective and efficient administration of the program or project of the state or unit of general local government as appropriate. An exception may be considered only after the unit of general local government has provided the following and the state has considered all factors for the exception found in 570.489 (h)(5):

- A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and
 - An opinion of the attorney for the state or the unit of general local government, as appropriate, that the interest for which the exception is sought would not violate state or local law.
- d. Factors to be considered for exceptions. In determining whether to grant a requested exception after the requirements of paragraph (c) of this section have been satisfactorily met, the cumulative effect of the following factors, where applicable, shall be considered:
- i. Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project which would otherwise not be available;
 - ii. Whether an opportunity was provided for open competitive bidding or negotiation;
 - iii. Whether the person affected is a member of a group or class of low- or moderate-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
 - iv. Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision-making process with respect to the specific assisted activity in question;
 - v. Whether the interest or benefit was present before the affected person was in a position as described in paragraph (b) of this section;
 - vi. Whether undue hardship will result either to the State or the unit of general local government or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and
 - vii. Any other relevant considerations.

SECTION VI – PRE-APPLICATION

A. Pre-Application Requirements

This section describes the pre-application submission requirements applicable to all Public Facilities and Housing projects. Pre-application requirements for Economic Development are different and can be referenced in Part E of this section.

1. To be considered for scoring, the pre-application must be fully completed with an engineering/architect report (if required) and signed by the authorized official.
2. Although specific match amounts are not required, if project costs are more than the CDBG allocated amount by the committee, at a minimum local match is required to fully cover the remainder of the project costs.
3. Cities and counties have the option to administer their own projects or to procure for grant administration services. Refer to Section V of this program distribution statement for administrative funds guidance.
4. All construction projects require a preliminary engineering/architectural report. This must be submitted with the pre-application and if not the application will be considered incomplete and will not be scored.
 - a. A waiver to not submit this may be approved on a case-by-case basis. DCS staff must be notified, and approval given to submit waiver no later than July 10, 2026. If approved, you will need to include your approval from DCS in the pre-application.
5. All projects (excluding Economic Development) must submit the CDBG Pre-Application form.
6. Surveys must be completed prior to the submission of pre-applications and must be completed according to the guidelines included on the DCS website, <https://www.communityservices.nd.gov/communitydevelopment/> under additional resources. This guidance contains complete guidelines to be used in completing income surveys. A survey will be valid until HUD approves new American Community Survey (ACS) data. If a survey has not been valid for 1 year before the new HUD approved ACS, that survey will be valid for the next upcoming CDBG funding round only. All surveys must be received by May 7, 2026, in order to qualify to apply during the pre-application. This is contingent upon an approval from DCS before the pre-application opens.

7. Public Facilities and Housing must score a minimum 200 average to be considered for funding. Economic Development must score a minimum 50 average to be considered for funding. DCS has the authority to make an exception if:
 - a. There is additional funding left after all projects have been awarded.

B. Public Facilities

1. An open funding round for public facilities will be held. Dates will be published through a public announcement on the DCS website and notification through gov.delivery.
2. The CDBG Committee will be responsible for reviewing, scoring, ranking and making grant award recommendations. This committee will include state or federal agencies such as the ND Department of Commerce Division of Community Services (DCS), State Water Commission, USDA/Rural Development, ND Department of Environmental Quality, ND Department of Transportation, North Dakota Housing Finance Agency, and Bank of North Dakota. The score sheet will identify the committee member scoring the application.
3. A copy of the State Department of Environmental Quality's letter of design approval must be submitted for all water and sewer projects prior to the first draw down of project funds.
4. Public Facilities projects are eligible for CDBG funds to pay for construction costs of the project if the population in the project area is 51% or greater low to moderate income (LMI). If the population is less than 51% LMI the community is not eligible to receive CDBG funds.
5. 15 percent of CDBG project funds can be requested for administration, up to a maximum of \$20,000.

PUBLIC FACILITIES SCORING CRITERIA

Public Facilities Projects – Maximum 400 points

1. Project Need – maximum 100 points
 - High Need: 76 to 100 points will be awarded to applications which:
 - 93 – 100 points address an already demonstrated significant problem which clearly affects health, and/or safety of the community or a targeted LMI group within the community;
 - 85 – 92 points address a significant problem which in the immediate future is likely to affect health and/or safety; or
 - 76 – 84 points address a situation in which all or the most critical services otherwise available cannot be provided.

- Moderate Need: 26 to 75 points will be awarded to application which:
 - 65 – 75 points address a potentially significant problem which could clearly and significantly affect health and/or safety, but the likelihood or immediacy is not clear or apparent;
 - 41 – 64 points address an immediate problem of health and/or safety but where no life- threatening or serious health/safety problems can be anticipated; or
 - 26 – 40 points address a situation in which services can be provided, but not fully, or only with major inconvenience and/or additional costs.
- Low Need: 0 to 25 points will be awarded to application which
 - 20 – 25 points address a problem which could significantly affect health and/or safety of the community, but the likelihood or immediacy is not clearly documented or apparent.
 - 11 – 19 points have not shown that services cannot be provided with any more than minor inconvenience and/or costs.
 - 0 – 10 points have not clearly shown that immediate or serious health and/or safety problems exist.

2. Financial Need – maximum 100 points

- High Need: 75 to 100 points will be awarded to pre-applications that demonstrate the applicant has exhausted all other options for other sources of funding and CDBG funding is the last option. Project cannot move forward without CDBG funding. The UGLG must demonstrate that local funds outside of what is required would not be feasible through their financial reports.
- Moderate Need: 36 to 74 points will be awarded to pre-applications that demonstrate the applicant has looked for more than one other sources of funding but did not exhaust all efforts to search for other options of funding. Project might be able to move forward without CDBG funding. The UGLG must demonstrate that local funds outside of what is required could be somewhat feasible through their financial reports.
- Low Need: 0 to 35 points will be awarded to pre-applications that do not show any efforts of searching for other options of funding. Project can move forward without CDBG funding. A loan for local funds outside of what is required is demonstrated as feasible through the UGLG’s financials reports.

3. Secured sources of other funding – maximum 25 points

- Note that this is not a requirement; however, would boost an application in points.
- Other sources of funds are being used for this project and are secured. This is construction costs only. To qualify for these points, letters of commitment must be in the pre-application.
 - 16-25 points – other sources are 75% or greater of overall project
 - 11-15 points – other sources are 50% or greater of overall project
 - 6-10 points – other sources are 25% or greater of overall project

- 0-5 points – other sources are 24% or less of overall project
- 4. Percentage of LMI in the Project Area – maximum 50 points
 - One point for every percentage point of LMI population over 50% will be awarded
- 5. Project Readiness – maximum 100 points
 - 75-100 points – complete plans, other sources of funding secured (if needed), sites identified, project could start right away and be completed within 18 months, audit reports on file with the North Dakota State Auditor’s Office are up to date and approved
 - 36-74 points – tentative plans but might change, have other sources of funding that are not secured, potential site options; audit reports on file with the North Dakota State Auditor’s Office are somewhat behind and not approved
 - 0-35 points – incomplete plans, still looking for more funding, sites not identified, will not be able to complete project in 18 months, audit reports on file with the North Dakota State Auditor’s Office are very behind and not approved
- 6. The UGLG has not had an open CDBG project in the past 5 years – 25 points
 - Project must have been approved and closed by DCS no later than 6/30/21

C. Housing

- 5. An open funding round for housing will be held. Dates will be published through a public announcement on the DCS website and notification through gov.delivery.
- 6. The CDBG Committee will be responsible for reviewing, scoring, ranking and making grant award recommendations. This committee will include state or federal agencies such as the ND Department of Commerce Division of Community Services (DCS), State Water Commission, USDA/Rural Development, ND Department of Environmental Quality, ND Department of Transportation, North Dakota Housing Finance Agency, and Bank of North Dakota. The score sheet will identify the committee member scoring the application.
- 7. 20 percent of CDBG project funds can be requested for administration, up to a maximum of \$30,000.

HOUSING SCORING CRITERIA

Housing Projects – Maximum 400 points

- 1. Project Need – maximum 100 points

- 76-100 points will be applied to proposals that demonstrate the project will address **all** the following criteria:
 - Thorough documentation is provided for the type of housing or work proposed, utilizing assessments, census, survey, market study, occupancy rates or other reliable and pertinent statistical data; and,
 - Meets both current and long-term benefit in addressing existing and future needs; and,
 - Addresses, directly or indirectly, health and safety issues; and,
 - The project will have significant impact on meeting the needs as documented.
 - 26-75 points will be awarded to proposals that substantially meet most of the above criteria and no major concerns are apparent with criteria it does not clearly meet.
 - 0-25 points will be awarded to proposals which meet few of the above criteria, or which significantly fail to meet one or more of the criteria.
2. Financial Need – maximum 100 points
- High Need: 75 to 100 points will be awarded to pre-applications that demonstrate the applicant has exhausted all other options for other sources of funding and CDBG funding is the last option. Project cannot move forward without CDBG funding. The UGLG must demonstrate that local funds outside of what is required would not be feasible through their financial reports.
 - Moderate Need: 36 to 74 points will be awarded to pre-applications that demonstrate the applicant has looked for more than one other sources of funding but did not exhaust all efforts to search for other options of funding. Project might be able to move forward without CDBG funding. The UGLG must demonstrate that local funds outside of what is required could be somewhat feasible through their financial reports.
 - Low Need: 0 to 35 points will be awarded to pre-applications that do not show any efforts of searching for other options of funding. Project can move forward without CDBG funding. A loan for local funds outside of what is required is demonstrated as feasible through the UGLG’s financials reports.
3. Secured sources of other funding – maximum 25 points
- Note that this is not a requirement; however, would boost an application in points.
 - Other sources of funds are being used for this project and are secured. This is construction costs only. To qualify for these points, letters of commitment must be in the pre-application.
 - i. 16-25 points – other sources are 75% or greater of overall project
 - ii. 11-15 points – other sources are 50% or greater of overall project
 - iii. 6-10 points – other sources are 25% or greater of overall project
 - iv. 0-5 points – other sources are 24% or less of overall project
4. Percentage of LMI in the Project Area – maximum 50 points

- One point for every percentage point of LMI population over 50% will be awarded
5. Project Readiness – maximum 100 points
- 75-100 points – complete plans, other sources of funding secured (if needed), sites identified, project could start right away and be completed within 24 months, audit reports on file with the North Dakota State Auditor’s Office are up to date and approved
 - i. Land acquisition encompasses the entirety of the project (purchase of land, construction, and beneficiaries are housed). The level of secured sources will determine how many points you receive.
 - 36-74 points – tentative plans but might change, have other sources of funding that are not secured, potential site options, audit reports on file with the North Dakota State Auditor’s Office are somewhat behind and not approved
 - i. Land acquisition encompasses the entirety of the project (purchase of land, construction, and beneficiaries are housed). The level of secured sources will determine how many points you receive.
 - 0-35 points – incomplete plans, still looking for more funding, sites not identified, will not be able to complete project in 24 months, audit reports on file with the North Dakota State Auditor’s Office are very behind and not approved
 - i. Land acquisition encompasses the entirety of the project (purchase of land, construction, and beneficiaries are housed). The level of secured sources will determine how many points you receive.
6. The UGLG has not had an open CDBG project in the past 5 years – 25 points
- Project must have been approved and closed by DCS no later than 6/30/21

D. Economic Development

1. Pre-applications can be received at any time.
2. The DCS staff will be responsible for reviewing, scoring, and making awards.
3. Pre-Application
 - a. The pre-application includes submitting a pre-application and a business plan to DCS which will be accepted any time during the program year. It shall contain all information required by the current State action plan.
 - b. DCS staff will review each pre-application for compliance with Program Distribution Statement-Economic Development guidelines.
 - c. Pre-Application Requirements
 - i. Business plan as stated in Section II of the PDS
 - ii. Staff review (SFN 52340)
 - iii. Job creation commitment (SFN 59509)

- iv. Letter of commitment of funding for all other source
- v. Financial documents
 1. Historical numbers
 2. Three years of historical financials
 3. Three years of tax returns
 4. Personal financial statement of owners (over 20% ownership)
 5. Three years of personal tax returns on owners (over 20% ownership)
- vi. Monthly projects for 3 years with assumptions (including new financing structure)
 1. Balance sheet
 2. Income statement
 3. Cash flow statement

The results of the DCS pre-application review may consist of any of the following:

- The applicant and/or business may be asked to provide more information.
- The business may be asked to pursue other sources of funding before giving further consideration.
- The business may be asked to restructure the financial package.
- The business may be asked to rework/revise its business plan.
- The DCS staff may request a visit to the business locale and/or a meeting with the business.
- The DCS staff may decide that the business is not feasible as structured with the negative recommendation provided in writing.
- The DCS staff may decide to develop a positive funding recommendation with conditions.
- The DCS staff may recommend that the business not be funded and not be permitted to restructure its proposal, and
- The DCS staff may recommend funding as requested. The above list or potential actions are not all-inclusive, and other actions may be taken as the situation may dictate.

ECONOMIC DEVELOPMENT SCORING CRITERIA

Economic Development – Maximum 100 points

1. Point System utilized for economic development requests;
 - a. Need for funds and terms (20 pts max)
 - b. Financial strength and reasonableness (20 pts max)
 - c. Management expertise and past performance (20 pts max)
 - d. Marketing (10 pts max)
 - e. Degree of likely benefit to the economy (20 pts max)
 - i. The business will fill a gap of service for the region of the community (10 pts max)

- ii. Workforce training/development (10 pts max)
- f. Anticipated impact of addressing national objectives as defined in the state program statement (10 pts max)
 - i. Ability to meet job creation requirements (5 pts max)
 - ii. Availability of jobs to LMI persons (5 pts max)

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SECTION VII – FINAL GRANT APPLICATION

A. Full Application Requirements

All applicants that are awarded funds based off the pre-application requirements are then required to submit a full application in order to receive a financial award. This section describes the application submission requirements applicable to all Public Facilities and Housing projects. Economic Development projects have different requirements and can be found in Part B of this section.

Each applicant must:

1. Provide a map which delineates the boundaries of the entire jurisdiction and identifies the location of the proposed activity. In most cases a map is not included in the business plan for economic development projects.
2. Complete the Public Facilities and Housing Review (SFN 60155).
3. Complete the CDBG Final Application (SFN 52659)
4. Provide evidence that a minimum of one public hearing was conducted prior to submitting the application to the state. A second public hearing will be required prior to grant closeout. The evidence of public hearing must include an affidavit of publication, a list of the persons attending and signed minutes of the public hearing. The public hearing must be announced 15 calendar days prior to occurrence. This can be found on the DCS website under application requirements.
5. Complete the Recommendation for Funding (SFN52660)
6. Complete the Citizen Participation Plan (SFN52662)
7. Complete the Code of Conduct (SFN 52357)
8. Justify which national objective is to be achieved for each proposed activity in accordance with the definitions in Section I. Income surveys will be accepted only if they meet the following criteria:

Surveys must be completed prior to the submission of pre-applications and must be completed according to the guidelines included on the DCS website, <https://www.communityservices.nd.gov/communitydevelopment/> under additional resources. This guidance contains complete guidelines to be used in completing income surveys. A survey will be valid until HUD approves new American Community Survey (ACS) data. If a survey has not been valid for 1 year before the new HUD approved ACS, that survey

will be valid for the next upcoming CDBG funding round only. All surveys must be received by May 7, 2026, in order to qualify to apply during the pre-application. This is contingent upon an approval from DCS before the pre-application opens.

9. All final applications must be submitted by the deadline date identified in Section IV E. with the original signatures to the DCS.
10. Housing projects only must complete Housing Program Application Data Collection (SFN52664) or Multi-Family Housing Program Application Data Collection (SFN58301)
11. Housing projects only must complete the HQS form. This can be found on the DCS website under Application Requirements.
12. Each application must contain documentation of who prepared the application, and if they will administer themselves or procure out for administration. This includes Economic Development if applicable.
13. Each applicant requesting the Removal of Architectural Barrier(s), that has not completed a Section 504 Self Evaluation/Transition Plan will be required to submit a completed plan prior to the DCS issuing a financial award.
14. Each applicant for removal of architectural barriers will be required to update their Transition Plan if the project applied for is not reflected in their Section 504 Self Evaluation/Transition Plan on file with the DCS.
15. For area benefit activities (i.e., Lift Station, Water Tower Repair) a copy of the United States Census Bureau (<https://www.census.gov/>) results that contain the information required to complete the Direct/Indirect Benefit Activities form must be submitted with the application.
16. An environmental review will be required but does not need to be submitted at time of full application.
17. Other sources of funds must be secured and documentation provided before a financial award will be issued.

B. Economic Development Full Application Requirements

1. Financial information checklist (SFN 61491)
2. CDBG final application (SFN 52659)
3. Public notice and notice of public hearing (SFN 52663)

4. Citizen Participation Plan (SFN 52662)
5. Code of conduct (SFN 52357)
6. Business plan (requirements listed in Section II)
7. Economic development staff review (SFN 52340)
8. Job creation commitment (SFN 59509)
9. An environmental review will be required but does not need to be submitted at time of full application.

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