

HENNEPIN COUNTY

MINNESOTA

Manual

Community Development Block Grant Program

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1 Introduction

Hennepin County's Housing and Economic Development department administers Community Development Block Grant (CDBG) funds for eligible municipalities.

The CDBG Program is designed to develop viable urban communities by providing decent housing and a suitable living environment, and by improving economic opportunities, particularly for persons of low and moderate income. CDBG is a program of the U.S. Department of Housing and Urban Development (HUD) under the Housing and Community Development Act of 1974, as amended (Title I). The County, as the Grantee, has administered CDBG funding since 1975.

Hennepin County's (County) CDBG Program Manual provides an overview of program requirements and County priorities. This Program Manual is not intended to cover all program requirements. The updated Federal regulations at [24 CFR Part 570](#) governing the program are available on HUD's website for the CDBG Program: [CDBG: Community Development Block Grant Programs - HUD Exchange](#). If there is a conflict between this Manual and the federal regulations, the federal regulations control. Activities funded with CDBG must comply with the CDBG Program regulations for the entire required period of performance and must meet a priority need identified within the most recent Five-Year Consolidated Plan.

2 Five-Year Consolidated Plan

The Consolidated Plan, which is submitted to the U.S. Department of Housing and Urban Development (HUD), covers programs such as the Community Development Block Grant (CDBG), Home Investment Partnerships Program (HOME) and the Emergency Solutions Grant (ESG) program.

Hennepin County's Consolidated Plan (often called the "Con Plan") is a five-year plan that examines the housing and community development needs of the County's non-entitlement jurisdictions. Hennepin County engages local governments and other housing and community development advocates, both in the process of developing and reviewing the proposed plan, and as partners and stakeholders in the implementation of HUD funded programs. By consulting and collaborating with other public and private entities, Grantees can align and coordinate community development programs with a range of other plans, programs and resources to achieve greater impact.

The most recent [Hennepin County Consolidated Plan](#) and Annual Action Plans can be found on Hennepin County's Housing plans and accomplishments website.

3 National objectives

In accordance with Section 104(b)(3) of the Housing and Community Development Act, the use of CDBG funding must meet a national objective. Activities that do not meet at least one national objective will not be considered for funding. The application for funding must clearly demonstrate how the identified national objective(s) will be met.

The three CDBG national objectives are further defined as follows:

Activities benefiting low- and moderate-income persons

Individuals or households whose household income is equal to or less than 80 percent of the area median income (AMI) for like-sized households are determined to have low and moderate incomes (LMI). No activity will receive funding which solely benefits persons whose income is at or above 80 percent of the area median income (AMI).

Activities benefiting LMI persons must meet one of the following tests:

- Benefits are available to all of the residents in a particular area, wherein at least 51 percent of the residents are LMI;
- At least 51 percent of the benefits are provided to LMI persons;
- Benefits will be provided to a clientele presumed to be principally LMI persons; or,
- If jobs are created or retained in an activity, at least 51 percent of the permanent, full time equivalent jobs must be shown to be held by or made available to LMI persons.

In the case of an activity providing relevant, direct outcome-based services, certain classes of people are presumed LMI, according to HUD. Find that list in Section 3.1.

Activities which aid in the prevention or elimination of slums or blight

An activity will be considered to address prevention or elimination of slums and blight in an area if:

- The delineated area meets a definition of a slum, blighted, or deteriorated or deteriorating area and is formally designated a slum or blighted area in accordance with State law.
- Throughout the area, there is a substantial number of deteriorated or deteriorating buildings, or the public improvements are in a general state of deterioration; and,
- The activity addresses one or more of the conditions which contributed to the deterioration.

If CDBG funds are used for acquisition or clearance to remove conditions of blight, HUD regulations pursuant to require that the “end use” of the property should also meet a one of the remaining two national objectives ([24 CFR 570.505](#)):

1. Activities benefiting LMI persons, or;
2. Urgent Need.

Most often the “end use” will need to meet the national objective activities benefiting LMI persons. The redevelopment/reuse plan for the building/vacant lot must be a CDBG eligible activity designed to benefit LMI persons (i.e. a community service facility, economic development, etc.). Blight removed as an activity of housing rehabilitation or comprehensive community development projects, such as the removal of blighted residential structures, must also conform to the above regulations.

Activities designed to meet community needs having a documented urgency

An activity will be considered to address this objective if the following conditions are met:

- There exists a current declaration of emergency by the Governor of Minnesota or a declaration of a severe health threat by the State Health Commissioner.

- The activity is designed to alleviate existing conditions which pose a serious and immediate threat to the health or welfare of the community;
- The conditions are of recent origin or recently became urgent. 'Recent' is defined as within the preceding 18 months; and
- The locality is unable to finance the activity on its own and no other funding is available to address the problem.

3.1 Activities benefitting low- to moderate-income persons

Individuals or households whose household income is equal to or less than 80 percent of the area median income (AMI) for like-sized households are determined to have low and moderate incomes. No activity will receive funding which solely benefits persons whose income is at or above 80 percent of the area median income (AMI).

Activities meeting this national objective must meet at one of these categories, defined further below:

- a) ensure that at least 51% of the benefits are provided to people with low and moderate income,
- b) serve a clientele meeting HUD's definition of "presumed to principally have low and moderate income",
- c) be available to all of the residents in an area, wherein at least 51 percent of the residents have low- and moderate-income, OR
- if jobs are created or retained in an activity, at least 51 percent of the permanent, full time equivalent jobs must be held by or made available to people with low to moderate incomes.

The following describes what information must be submitted for different types of activities benefiting low- and moderate-income households.

Documenting activities where at least 51% of beneficiaries have low or moderate incomes

To qualify under category (a), as specified at [24 CFR 570.483\(b\)\(2\)](#), the Recipient must ensure and document that at least 51 percent of people served have low to moderate income. This information is required even if the service or product provided is exclusively restricted to people with low to moderate incomes.

The documentation required differs for direct benefit and indirect benefit activities.

- Direct benefit, e.g. emergency financial payment assistance, rental rehabilitation, homeownership acquisition/rehabilitation.
 - Documentation required: verifiable source documentation for everyone over 18 in each household that receives benefits. At least 51 percent of the people or households served must have low or moderate income.
- Indirect benefit, e.g. tenant legal advocacy, access to an overnight homeless shelter
 - Documentation required: a completed self-certification of family income for all persons receiving benefits

For all activities under this category, Recipients must submit to Hennepin County a summary of the percent of households served that meet the different CDBG income limits (updated by HUD annually and attached to this program manual in Exhibit 1). The information may be from existing program files or applications maintained by the Recipient, or it can be collected using an income certification form. Individual income certification and documentation forms gathered by the Recipient should be maintained in individual activity/program files and be available for upon request.

In addition, for rental rehabilitation, homeownership acquisition and rehabilitation, and homebuyer assistance activities, the Recipient must maintain the following records:

- A copy of the written agreement with each developer, owner or landlord of property receiving CDBG assistance indicating the total number of dwelling units in each multi-unit structure to be assisted and the number of housing units which will be occupied by households with low and moderate incomes after assistance.
- The general project budget showing the total cost of the project or activity, the amount and percentage of CDBG assistance, and the specific components of project/activity that will utilize CDBG funds.
- For each property acquired for housing development on which there are no structures, evidence of commitments ensuring that all compliance criteria will be met when the structures are built.

For rental rehabilitation activities only, Recipients must also document affordability with a schedule of the rent to be charged after assistance for each dwelling unit in each structure assisted.

Documenting activities where at least 51% of beneficiaries are presumed to have low and moderate income

To qualify under category (b), also known as “presumed benefit objective”, as specified at [24 CFR 570.483\(b\)\(2\)](#), the Recipient must document demonstration that the product or service is delivered to a clientele, 51 percent of whom are described in one or more of the following population groups:

- Abused children
- Survivors of domestic violence
- Elderly
- Adults who meet the Bureau of Census’ definition of severely disabled adults,
- People experiencing homelessness
- Adults with functional illiteracy
- People living with AIDS
- Migrant farm workers

Documentation could consist of consumer information, photographs, product/service information, marketing materials, statistical data, public records, and personal observations.

Activities can also qualify under this category if they are of such nature and in such location that it may reasonably be concluded that the activity’s beneficiaries will primarily have low to moderate incomes (for example, a day care center that is designed to serve residents of a public housing complex).

Documenting activities for an area where at least 51 percent of the residents have low- and moderate-income

To qualify under category (c), also known as “low/mod area benefit objective”, as specified at [24 CFR 570.483\(b\)\(1\)](#), the Recipient must demonstrate that benefits are available to all the residents of a designated service area in which at least 51 percent of the residents have low or moderate income. Defining the geographic boundaries for an area-wide activity can be accomplished by answering two questions:

1. Who are the beneficiaries of the activity? and
2. Where do they live?

Depending on the type of activity, the defined geographic area could be as small as a single neighborhood within a town, or as large as multiple census tracts.

In all cases, the area must:

- be contiguous,
- represent the entire area in which the activity is provided, but no areas that will not benefit from the activity, and
- consist primarily of residential parcels.

Activities of the same type that are provided in different areas must be considered separately based on their individual service area.

Applicants should use income data from the U.S. Census Bureau relating to the service area’s census tracts or blocks groups, together with CDBG income limits (Exhibit 1) to demonstrate eligibility. Once awarded, Recipients must document and maintain:

- A map clearly showing the boundaries of the activity area
- Action(s) taken by the Recipient to define the boundaries, including an explanation of the basis for determining the boundaries
- A calculation of the percentage of that population of the activity area that have low and moderate incomes, including a copy of the data used to determine that percentage

4 Eligible activities

In accordance with Section 104(b)(3) of the Housing and Community Development Act, CDBG funding may only be used for an eligible activity. The application for funding must clearly demonstrate how the proposed activity is eligible.

4.1 Public services

The CDBG Regulations found at [24 CFR 570.201\(e\)](#) permit the use of CDBG funds for a wide variety of public services, including but not limited to those identified within the most recent Five-Year Consolidated Plan:

- Emergency rental assistance

- Services to support housing stability
- Services for homeless persons

Income payments to an individual or family, which are used to provide basic services such as food, transportation assistance (such as payment for car repairs), or clothing are generally ineligible, unless provided as a loan.

Emergency rental or utility assistance payments to an individual or family are eligible only under the following conditions:

- The income payments do not exceed three consecutive months and
- The payments are made directly to the provider of such services on behalf of an individual or family

To utilize CDBG funds for a public service, the service must be either a new service provided to the activity area, or an activity that provides a quantifiable increase in the level of an existing service. This provision was put into place to ensure that CDBG did not supplant local or state monies to fund essential services typically offered by the local government. These regulations do not prohibit a Grantee from continuing to provide funding for a public service at the same or decreased level in subsequent program years.

4.2 Public facility and public infrastructure improvements

For a public facility or public infrastructure project, CDBG funds may be used by:

- Acquisition,
- Construction,
- Reconstruction,
- Rehabilitation (including removal of architectural barriers to accessibility), or
- Installation of public improvements or facilities (except for buildings used for the general conduct of government).

CDBG regulations define the terms “public facilities” or “public improvements” at [24 CFR 570.201\(c\)](#). However, Hennepin County broadly interprets these to include all improvements and facilities that are either publicly owned or that are traditionally provided by the government, or owned by a nonprofit, and operated so as to be open to the general public.

Examples of public facilities include, but are not limited to: community centers and facilities providing shelter for persons with special needs (such as: shelters for survivors of domestic violence, shelters and transitional facilities/housing for people experiencing homelessness, and group homes for people with developmental disabilities). Public improvements include streets, sidewalks, curbs and gutters, parks, playgrounds, water and sewer lines, flood and drainage improvements, parking lots, utility lines, broadband infrastructure and service delivery, and aesthetic amenities on public property such as trees, sculptures, pools of water and fountains, and other works of art.

In the CDBG program, site improvements of any kind made to publicly owned property are considered a “public improvement” eligible for assistance under this category. This distinction would be of particular importance if an applicant sought to construct new housing on a publicly owned property – direct CDBG assistance could not be used for new construction of the housing but could be used for site preparation and improvements such as water and sewer connections and development of streets and sidewalks.

Public facilities and improvements authorized under this category **do not include:**

- Expenditures for buildings used for the general conduct of government, except to create accessibility for disabled population (e.g., city hall),
- Costs of operating or maintaining public facilities or improvements,
- Purchase or lease of construction equipment,
- Purchase of furnishings and personal items such as uniforms,
- New construction of public housing.

4.3 Rental rehabilitation

New construction of housing is generally ineligible with CDBG funds. However, rehabilitation of rental housing is eligible so long as the work being done is substantial rehabilitation to improve the living standards of a building rather than standard maintenance.

CDBG funds may be used for the rehabilitation of rental housing that results in at least 51% of the units on the property being occupied by low and moderate income households with affordable rents upon completion ([24 CFR 570.483\(b\)\(3\)](#)). Affordable rent is defined here as rent and utilities require no more than 30 percent of the tenant's household income (see the HOME rent limits in Exhibit 1).

Eligible costs include:

- Labor and materials
- Replacement of principal fixtures and components of existing structures
- Water and sewer connections
- Installation of security devices, including smoke detectors
- Hazard insurance premium (except when a grant is provided)
- Flood insurance premium
- Conservation costs for water and energy efficiency
- Landscaping, sidewalks, garages, and driveways when accompanied with other rehabilitation needed on the property
- Evaluating and treating lead-based paint

4.4 Homeownership activities

Successful homeownership projects, depending upon the structure of the project, will be required to ensure either:

- that units will be resold to subsequent eligible buyers at an affordable price and give the seller a fair return on their investment, or
- that funds will be recaptured if there are no sale restrictions and the housing unit is sold prior to the end of the required affordability period.

Homeownership acquisition and rehabilitation

New construction of housing is generally ineligible with CDBG funds. However, CDBG funds may be used to acquire real property in whole or in part, so long as the proposed work to be done on the property is rehabilitation and the end use of the property will benefit a family or individual considered to be low- to moderate-income and who will have a permanent residence at the CDBG-assisted address.

Real property to be acquired could include:

- Land
- Easements,
- Rights-of-way,
- Buildings and other real property improvements, or
- Other interests in the real property.

Eligible costs that may be assisted with CDBG funds under this category include the cost of surveys to identify the property to be acquired, appraisals, the preparation of legal documents, recordation fees, and other costs that are necessary to accomplish effect the acquisition.

Homebuyer assistance

The specific purposes for which financial assistance using CDBG funds may be provided under this category are to:

- Subsidize interest rates and mortgage principal amounts, including making a grant to reduce the effective interest rate on the amount needed by the purchaser to an affordable level. (The funds granted would have to be applied towards the purchase price.)
- Finance the cost of acquiring property already occupied by the household at terms needed to make the purchase affordable.
- Pay all or part of the premium (on behalf of the purchaser) for mortgage insurance required up-front by a private mortgagee. (This would include the cost for private mortgage insurance.)
- Pay any or all the reasonable closing costs associated with the home purchase on behalf of the purchaser.
- Pay up to 50 percent of the down payment required by the mortgagee for the purchase on behalf of the purchaser.

4.5 Ineligible activities

In general, any activity not specifically authorized under CDBG statute or regulations is ineligible for CDBG funds. In addition, the statute specifically stipulates that the following activities may not be assisted with CDBG funds:

1. General government expenses;
2. Political activities and lobbying;
3. Purchase of equipment or furnishings for a property. This excludes certain types of manufacturing equipment connected with economic development activities and the purchase of fire trucks as firefighting equipment;
4. In addition to the ineligible activities listed above, CDBG funds may not be used on activities that do not primarily benefit residents of Suburban Hennepin County.

5 Other federal requirements

5.1 Fair housing

The Fair Housing Act prohibits discrimination in all housing related transactions based on race, color, religion, national origin, sex, familial status and disability. Projects shall comply with all applicable federal laws, executive orders, and implementing rules and regulations. Projects shall also comply with Minnesota law and local city ordinances regarding fair housing and human rights, including the Minnesota Human Rights Act. Recipients of CDBG funds must have procedures for handling fair housing complaints in place; owner(s) and/or manager(s) of the property shall be aware of these management procedures.

5.2 Anti-displacement and Uniform Relocation

Recipients must minimize the displacement of individuals, families, businesses, organizations, and farms to the greatest extent possible. This includes direct displacement resulting from real property acquisition, rehabilitation, demolition or conversion, and any indirect displacement.

CDBG funds require compliance with the federal Uniform Relocation Act in any CDBG-funded developments that involve acquisition, demolition or rehabilitation of property (not including voluntary homeowner rehabilitation). Acquisition includes the purchase of real estate, including vacant parcels, regardless of the source of acquisition funds.

Any activities that could result in temporary or permanent displacement and the relocation of tenants will require relocation plans. All activities will trigger the need for one or more disclosure notices for the sellers, buyers and/or occupants. It is recommended that the recipient work with a relocation expert/consultant.

5.3 Environmental review

An Environmental Review (ER) process must be completed for every CDBG activity, and neither the recipient nor County may commit or expend HUD or other federal funds, prior to the completion of this step.

Capital projects such as rental rehabilitation activities, public facility improvements, public infrastructure improvements and some homeownership activities are subject to a higher level of review, referred to as an Environmental Assessment (EA). These activities may not expend HUD or other federal funds or make a choice-limiting action prior to receiving the required Release of Funds.

Choice-limiting actions include but are not limited to: any physical action on the site; commitment or expenditure of HUD or non-HUD funds for property acquisition, rehabilitation, conversion, lease, repair, or construction activities. Activities that proceed with any choice-limiting action(s) before receiving the Release of Funds will be forfeiting access to the CDBG funds for the activity. Purchase Agreements for property should be contingent upon this requirement. (Additional guidance on Choice-Limiting Actions can be found here: [https://www.hud.gov/sites/dfiles/CPD/documents/HUD_Choice_Limiting_Action_\(CLA\)_Violation_Fact_Sheet.pdf](https://www.hud.gov/sites/dfiles/CPD/documents/HUD_Choice_Limiting_Action_(CLA)_Violation_Fact_Sheet.pdf))

The County will not begin the required EA until the activity has been selected for CDBG funding. The EA process may include:

- a minimum 30-day review of the site by the State Historic Preservation Officer (SHPO),
- publication of a public comment notice.

A completed Phase I Environmental Site Assessment is required for activities with five or more units. If indicated by the Phase I, a Phase II Environmental Site Assessment and response action plan may also be required.

5.4 Procurement standards

All procurements funded in whole or in part with CDBG funds must comply with the applicable federal requirements found in [2 CFR Part 200](#). The goal in using these procurement procedures is to achieve maximum open and free competition.

Each recipient shall adopt and abide by the CDBG Procurement requirements which apply only to procurements funded with CDBG dollars, as authorized in [2 CFR 200.318](#) - [2 CFR 200.324](#), most restrictive of which shall take precedence. The recipient shall prepare, or cause to be prepared, all advertisements, negotiations, notices, and documents, enter into all contracts, and conduct all meetings, conferences, and interviews as necessary to ensure compliance with the above described procurement requirements.

5.5 Davis Bacon Act and Section 3

Recipients of HUD funds (i.e. subrecipients and contractors) must ensure that, "to the greatest extent feasible" when certain HUD funds are used to assist housing and community development projects, preference for construction-related training, jobs, and contracting opportunities go to low- and very-low income people and to businesses that are owned by low- and very-low income persons or businesses that hire them. These opportunities are both gender and race neutral.

Every contract for a public facility or public infrastructure improvement or rehabilitated housing with 8 or more units will be subject to Davis Bacon requirements, and must contain provisions requiring the payment of not less than the wages prevailing in Hennepin County. Contracts will also be subject to overtime provisions.

Section 3 covers HUD program assistance used for housing rehabilitation and other public construction activities that generally exceed a \$200,000 funding threshold. The Section 3 program requires recipients of HUD funding to direct employment, training, and contracting opportunities to low-income individuals and the businesses that employ these persons within their community. Section 3 is a provision of the HUD Act of 1968 and is found at [12 U.S.C. 1701u](#). The regulations are found at [24 CFR Part 75](#).

5.6 Build America, Buy America Act

Activities utilizing CDBG funds are subject to the Build America, Buy America (BABA) Act. BABA requires any "infrastructure project," including buildings and real property, funded by any federal financial assistance" to only use iron, steel, manufactured products, and construction materials that have been produced in the United States, unless the awarding agency has issued a waiver of this requirement. To read OMB's guidance on the implementation of BABA, please see [2 CFR 184](#).

5.7 Lead-based paint

Housing assisted with CDBG funds is subject to the Lead-Based Paint Poisoning Prevention Act ([42 U.S.C. 4821-4846](#)), the Residential Lead-Based Paint Hazard Reduction Act of 1992 ([42 U.S.C. 4851-4856](#)), and implementing regulations at part 35, subparts A, B, J, K, M and R of this title.

5.8 Conflict of interest

CDBG recipients must comply with the conflict-of-interest provisions in [2 CFR 200.317](#) and [2 CFR 200.318](#) in the procurement of property and services.

5.9 Violence Against Women Act

The Violence Against Women Act (VAWA) requirements set forth in [24 CFR part 5, subpart L](#) apply to all rental housing assisted with CDBG funds.

5.10 Financial management

For each type of recipient, there is a set of federal principles which determine allowable costs under federal grants and other agreements with state and local governments in accordance with the applicable 2 CFR Part 200 OMB Circular. These principles also include single audit requirements, as applicable.

6 Design, contracting and construction standards

6.1 Construction/rehabilitation standards

All building improvements must comply with local and Minnesota State Building Codes. At a minimum, properties must meet HUD's Uniform Physical Condition Standards and maintain compliance with all applicable ordinances, building and use restrictions, code-required building permits, and any requirements with respect to licenses, permits, and agreements necessary for lawful use and operation.

In addition, applicants are encouraged to include additional design features to help reduce energy expenditures, maintain sustainability and enhance the health, well-being and productivity of building occupants, such as:

- Energy Star products, standards and building certification
- The most current B3 standard: [3.0 – B3 \(b3mn.org\)](#) which includes the SB2030 Energy Standard
- [Seven Principles of Universal Design](#) "The design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design."

6.2 Section 504

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination based on disability and requires that everyone have equal opportunity to obtain housing built with federal funds. HUD regulations require that five (5) percent (rounded up) of all new and rehabilitated units must be fully accessible for mobility impairments (physically handicapped) and an additional two (2) percent (rounded up) of all NEW units must be fully accessible for sensory (hearing or vision) impairments. The accessibility must meet the Uniform Federal Accessibility Standards (UFAS). These requirements apply to multi-family and single-family developments.

Additional requirements apply to common areas.

In addition, under the Fair Housing Act, all ground floor units in buildings with no elevator must meet the Fair Housing Act's design and construction requirements, when feasible, if built prior to March 13, 1991. For buildings with elevators, all units must meet the Fair Housing Act's design and construction requirements. A unit that meets the Fair Housing Act's accessibility requirements will be one that does not have as great a degree of

accessibility as a UFAS-complying unit but is one that may be easily adapted to be fully accessible without significant costs and the need to do significant structural modifications.

Section 504 requires that reasonable accommodations be made in rules, policies, practices, services and reasonable structural modifications.

6.3 Construction and demolition reuse and recycling policy

All non-hazardous building material generated during the activity should be sorted by material type for recycling or, if collected as mixed waste, sent to a facility that achieves a minimum 60% recycling rate. If sorting by material type, at a minimum, the following materials should be separated for recycling: concrete, metals, untreated wood, and roofing material. Removal of building materials for reuse is encouraged where feasible. New construction, renovation, rehabilitation, and remodeling activities are encouraged to incorporate reused and recycled content building materials in their designs. Special construction waste recycling rates may be available for County-funded activities.

6.4 Affirmative action

Activities shall comply with all applicable local rules and regulations for affirmative action. Where federal, state, and/or local policies and requirements for affirmative action and equal employment opportunity differ, the most restrictive policies and requirements shall apply, as legally permissible. However, recipients shall provide any reports or other documentation required by each jurisdiction in order to demonstrate compliance with applicable laws, ordinances, and regulations.

6.5 Small businesses, women-owned and small disadvantaged business enterprises

All projects must track and report outreach efforts and contracts awarded to small, disadvantaged businesses, Small Business Enterprises (SBEs), and Women Owned Small Businesses (WOBs), per state and federal law. They can be accessed in the [Central Certification CERT Program](#). Where federal, state, and/or local policies and requirements for small, disadvantaged businesses, Small Business Enterprises (SBEs), and Women Owned Small Businesses (WOSBs) differ, the most restrictive policies and requirements shall apply, as legally permissible.

In addition, the County encourages participation in the County's Workforce Entry Program (WEP). WEP encourages contractors to hire a specific number (based on the project) of graduates of approved job training programs or demonstrate good faith efforts to do so. Contractors hire on the job training program graduates as apprentices, who gain valuable skills and knowledge working on County projects. Apprentices must not have completed an apprenticeship training course that leads to journeyman status or have been employed as a journeyman. The County provides a list of approved job training programs here: <https://www.hennepin.us/-/media/hennepinus/business/work-with-hennepin-county/contracting-with-hennepin/WEP-approved-programs-lists.pdf>.

7 Financing and contracting requirements

7.1 Award letter and period of performance

Selected proposals will receive a funding award letter after HUD's approval of the Annual Action Plan and the County Board's approval of a CDBG award. The award letter will outline important terms of the commitment, including any additional cross-cutting requirements that will be necessary for the selected activity. Recipients should carefully review award letters upon receipt.

The County reserves the right to cancel a funding commitment if the project is not proceeding according to the timeline submitted in the application. An executed written agreement is the final commitment and will be required prior to the start of an activity.

Projects awarded CDBG funds must expend the contracted award amount within the timeline specified in the written agreement, which is typically 12 months after the grant agreement date. For capital projects, a maximum of 18 months may be available under limited circumstances; please contact the CDBG Program Manager.

7.2 Due diligence requirements

Prior to execution of a written agreement, Recipients must provide all required documentation as noted in the CDBG Program Manual and award letter. County staff will provide a due diligence checklist. Notable items on the due diligence checklist are highlighted below.

County policies require that the Recipient, and other key members of the project team, must not be suspended or debarred from doing business with the government. The County will verify non-debarment of the development entity by checking the federal exclusions database and the state debarred vendor report at time of application. Recipients are required to submit documentation of non-debarment prior to the activity's start date.

In addition, dependent on the activity type, documentation requirements may include but are not limited to: Lender's Title Policy; commitment for an American Land Title Association (ALTA) survey; a Legal Opinion Letter; agreement to defend, indemnify and hold the County harmless from any and all claims or lawsuits that may arise from the funded activities; agreement to provide evidence of insurance general liability, builder's risk, and worker's compensation in form and content satisfactory to the County; and documentation satisfactory to the County that BABA requirements will be met.

7.3 Financing terms and contractual requirements

The County will complete a final underwriting of awarded projects before executing written agreements to confirm remaining financial need and continued adherence to County priorities.

Successful rental rehabilitation and public infrastructure improvement projects awarded CDBG assistance typically receive a grant or a deferred, non-interest bearing loan.

All projects must comply with the CDBG regulations for the term of the assistance, which will be determined by the County and included in the written agreement.

Homeownership projects required to recapture funds will typically be structured in the form of deferred, non-interest-bearing loan that must be repaid at the point of maturity, sale, or if the homeowner does not meet the terms and conditions of the contractual agreement.

7.4 Compliance reporting/program monitoring

Annual reporting during the term of the assistance is required. This may include, but is not limited to, rent rolls, verifications of household income, household data, rent schedule, operating budget, and financial audits. The County has the right to review any and all procedures, including property management agreements, and all materials, notices, documents, etc., prepared for the implementation of the activity. Fees may apply for compliance management. Monitoring may be performed on behalf of the County by a third-party entity.

Exhibit 1: 2025 Income and rent limits

Hennepin County Housing and Economic Development Community Development Block Grant

Income limits

(Effective June 1, 2025)

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30%	27,800	31,800	35,750	39,700	42,900	46,100	49,250	52,450
50%	46,350	53,000	59,600	66,200	71,500	76,800	82,100	87,400
60%	55,620	63,600	71,520	79,440	85,800	92,160	98,520	104,880
80%	72,950	83,400	93,800	104,200	112,550	120,900	129,250	137,550

MSA: Mpls/St. Paul Median Household Income: \$132,400

Gross HOME rent limits

(Effective June 1, 2025)

	SRO*	EFF/0 BR	1BR	2 BR	3 BR	4 BR	5 BR	6 BR
Low HOME	915	1,158	1,241	1,490	1,721	1,920	2,118	2,317
High HOME	915	1,220	1,381	1,685	2,204	2,439	2,672	2,906

LOW HOME rents are the lesser of the Fair Market Rent or the 50% rent limit. Units must be occupied by households with gross annual incomes that do not exceed 50% of area median income.

HIGH HOME rents are the lesser of the Fair Market Rent or the 65% rent limit. Units must be occupied by households with gross annual incomes that do not exceed 60% of area median income.

*Limit for Single Room Occupancy (SRO) units: typically calculated 75% of the Fair Market Rent Efficiency limit (\$1,087 x 75% = \$815)

FOR INFORMATION ONLY:

	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom	6 Bedroom
Fair Market Rent (FMR)	1,220	1,381	1,685	2,244	2,513	2,890	3,267
50% Rent Limit	1,158	1,241	1,490	1,721	1,920	2,118	2,317
65% Rent Limit	1,486	1,594	1,914	2,204	2,439	2,672	2,906