

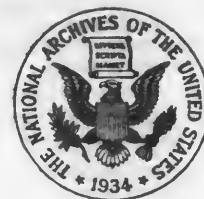
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**Office of Assistant Secretary
for Community Development**

■

COMMUNITY DEVELOPMENT BLOCK GRANTS

Applications and Criteria

Title 24—Housing and Urban Development
CHAPTER V—OFFICE OF ASSISTANT SECRETARY FOR COMMUNITY DEVELOPMENT, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. R-75-307]

PART 570—COMMUNITY DEVELOPMENT BLOCK GRANTS

Subpart E—Applications and Criteria for Discretionary Grants

Notice was given on November 27, 1974 (39 FR 41492), that the Department of Housing and Urban Development was proposing to amend Title 24 of the Code of Federal Regulations by adding Subpart E to Part 570 of Chapter V. The Department herewith publishes its regulations for Subpart E—Applications and Criteria for Discretionary Grants.

These regulations deal with the distribution and application process for these discretionary grants as more fully defined in § 570.104. Funds for discretionary grants. There are four basic sources of funds authorized by Title I of the Housing and Community Development Act of 1974. The first source is entitlement grants described in the November 13, 1974, FEDERAL REGISTER publication. The other three sources of funds are the urgent needs fund, general purpose funds for metropolitan and nonmetropolitan areas, and the Secretary's fund, which are all described in these proposed regulations.

The urgent needs fund is authorized by section 103(b) of the Act. This fund, referred to in § 570.104(b) of the November 13, 1974, FEDERAL REGISTER publication as the "transition funds," will be hereafter called the "urgent needs fund."

General purpose grants made for metropolitan and nonmetropolitan areas are authorized by section 103(a) of the Act, and the amounts are established under section 106(d) and (f) of the Act.

The Secretary's fund is authorized by section 107 of the Act and is available for the following purposes: New communities; areawide projects; Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands; innovative projects; federally recognized disasters; and correction of inequities resulting from the allocation provisions of section 106 of the Act.

The Department has received more than 100 responses to the November 27, 1974 publication. All comments received were given consideration and many of the changes incorporated in these regulations reflect the suggestions received from the public. The principal changes are set forth below.

A number of comments were received suggesting that the requirement for preapplications be dropped because of the time restraints on funding in Fiscal Year 1975. The language of § 570.400(b) has been changed to encourage the submission of preapplications while permitting applicants to submit full applications without a preapplication.

A new subparagraph has been added to § 570.400(c) to clarify what may be encompassed by an application and to make it clear that subsequent years'

funding is not precluded for activities proposed in the application.

Most of the comments received addressed the problem of meeting the requirements of OMB Circular No. A-95. The revised language of § 570.400(d) allows for a reduction in the time of the A-95 review process for Fiscal Year 1975 submissions.

Language has been added to § 570.400(e) to permit applicants to be reimbursed pursuant to a letter to proceed, for the cost of planning an application for discretionary block grants once the application has been approved by HUD.

Several changes have been made in the criteria for funding applications for urgent community development needs described in § 570.401. The significant change in this section reflects the intent of the Department to ensure that applicants for urgent needs funding have made maximum use of available resources to meet their urgent community development needs before making their application to HUD. Application requirements have been clarified by minor language changes.

The criteria for funding applications for general purpose funds for metropolitan and nonmetropolitan areas have been substantially revised in § 570.402(b). The revised criteria accurately reflect the Congressional intent that community development block grants be used to assist in the development of viable urban communities and expand economic opportunities principally for persons of low and moderate income. In addition, the Department has added another criterion to encourage the submission of joint applications between States and units of general local governments or two or more units of general local government for activities designed to implement areawide housing and community development plans. Additional instructions have also been provided in § 570.402(e) with respect to applications submitted by States.

In response to a number of comments, language has been added at § 570.402(f) to explain the process HUD will follow in the reallocation of funds and the timing of such reallocation.

The language describing eligible applicants for the discretionary funds available to new communities has been expanded to define more clearly which entities can apply for such funds in § 570.403(b)(3). Also, applicants as defined in § 570.403(b)(1), (2) and (3) are eligible to apply for funds available under §§ 570.401, 570.402, 570.406 and 570.407.

A number of significant changes have been made in § 570.406—Innovative Projects. The list of selection criteria described in § 570.406(b) has been expanded to include several new criteria. In addition, the basis for the Department's review of proposals is explained in § 570.406(b)(4). Application and reporting requirements have also been expanded upon to clarify applicants' responsibility in these respects.

Many comments were received suggesting that the discretionary funding available for federally recognized disasters be made available to localities where such disasters had occurred prior to the effective date of the Act. The Department did

not respond affirmatively to these comments as the intent of the statute was clearly to assist communities affected by such disasters subsequent to the effective date of the Act. However, in response to many comments on this subject the Department has expanded the definition of federally recognized disasters in § 570.407(a) to include those disasters requiring Federal emergency assistance and for those disasters recognized by other Federal agencies pursuant to their statutory authority. Priorities will be given in the use of these discretionary funds to those needs caused by Presidentially declared major disasters.

Additional criteria for funding were added to § 570.408—Inequities Funding to indicate the Department's intent to give consideration to other circumstances which might give rise to a need for discretionary funding. For localities subject to the phase-in provision, the new criterion in § 570.408(b)(3) is added. If the hold harmless amount is significantly lower than the average amount approved by HUD for the fiscal years immediately preceding or subsequent to the base period, such applicants may be considered for funding. In addition, the Department recognizes that substantial decreases in anticipated levels of available discretionary funding for metropolitan areas caused by the implementation of the provision governing urban counties for applicants may result in some inequities in funding that can be corrected by the provision of this Subpart.

Accordingly, Title 24 is amended as follows: A new Subpart E—Applications and Criteria for Discretionary Grants is added to Part 570 to read as set forth hereinafter:

Subpart E—Applications and Criteria for Discretionary Grants	
Sec.	
570.400	General.
570.401	Urgent needs fund.
570.402	General purpose funds for metropolitan and nonmetropolitan areas.
570.403	New communities.
570.404	Areawide projects [Reserved]
570.405	Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.
570.406	Innovative projects.
570.407	Federally recognized disasters.
570.408	Inequities funds.

AUTHORITY: Title I of the Housing and Community Development Act of 1974 (Pub. Law 93-383; sec. 7(d), Department of HUD Act (42 U.S.C. 3535(d)).

Subpart E—Applications and Criteria for Discretionary Grants

§ 570.400 General.

(a) *Applicability of rules and regulations.* The policies and procedures set forth in Subpart A, B, C, F, G, H, I, and J of this Part shall apply to this subpart and to the funds described in § 570.104, except to the extent that they are specifically modified or augmented by the contents of this subpart, including specified exemptions described herein. The HUD Environmental Review Procedures contained in 24 CFR Part 58 also apply to this subpart, unless otherwise specifically provided herein.

(b) *Preapplications.* Preapplications will be accepted for metropolitan and nonmetropolitan discretionary balances described in § 570.402. Applicants are encouraged to submit preapplications but, because of the time constraints in Fiscal Year 1975, a full application that was not preceded by a preapplication will nevertheless be considered without prejudice by HUD. The purpose of the preapplication is basically: (1) To determine how well the application compares with similar applications from other jurisdictions, and (2) to discourage applications which have little or no chance for Federal funding before applicants incur significant expenditures for preparing an application.

(i) *Submission requirements.* Preapplications shall be submitted on HUD forms to the appropriate HUD Area Office. The preapplication shall consist of a brief description of the applicant's community development needs, the activities proposed to meet those needs, and the general location and estimated cost of the proposed activities. The applicant's statement shall address the specific criteria under which it requests priority consideration for funding under § 570.402(b).

(ii) *HUD review of preapplications.* HUD will review preapplications based upon the appropriate criteria set forth in this subpart, to determine how well an application is likely to compete with other applications for the same discretionary funds submitted by other jurisdictions. Applicants will be advised of HUD's determinations and judgments on the preapplication, and of the availability of funds for that particular fiscal year. Notwithstanding the nature of such advice, any eligible applicant may submit an application under the provisions of this subpart.

(3) *Preapplication submission dates.* The Secretary will establish from time to time the earliest and latest dates for submission of preapplications for each fiscal year. For Fiscal Year 1975, the earliest date for submission of a preapplication shall be January 1, 1975; the latest date shall be March 1, 1975.

(c) *Applications—(1) Submission requirements.* Applications shall be submitted on HUD forms to the appropriate HUD Area Office. Specific submission requirements are contained in the following sections of this subpart which describe each discretionary fund. To the maximum extent possible, and with the prior concurrence of the Secretary, documentation submitted in support of an application previously submitted for funding under this part will be accepted and need not be resubmitted with an application for a discretionary grant.

(2) *Scope of application.* An application may include any number of eligible activities up to the maximum dollar amount established by the Secretary for applications submitted under this subpart. An application may be for any reasonable period of time necessary to complete the proposed activities. For new activities to be carried out with a discretionary grant the applicant shall apply for discretionary funds in an

amount which, along with any other resources that may be available, will be adequate to complete the activities. While a recipient remains eligible for discretionary grant funding in subsequent years, an applicant shall not assume that additional funding will be available in subsequent years to continue or expand activities. An application may not, however, be only for planning purposes, as defined in § 570.200(a) (12).

(3) *Application submission dates.* The Secretary will establish from time to time the earliest and latest dates for submission of applications for discretionary grants for each fiscal year. For Fiscal Year 1975 the earliest and latest dates shall be as follows:

(i) General purpose funds for metropolitan and nonmetropolitan areas—March 15, 1975 through May 15, 1975;

(ii) Urgent needs fund—January 1, 1975 through May 15, 1975;

(iii) Secretary's fund:

(A) New communities—February 1, 1975 through May 15, 1975;

(B) Area-wide projects—reserved;

(C) Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands—February 1, 1975 through May 15, 1975;

(D) Innovative projects—February 1, 1975 through April 20, 1975;

(E) Federally recognized disasters—January 1, 1975 through June 30, 1975; and

(F) Inequities—February 1, 1975 through May 15, 1975.

(d) *Meeting the Requirements of OMB Circular No. A-95—(1) Preapplications.* Applicants must comply with the procedures set forth in OMB Circular No. A-95 which include the requirements of paragraph 7, Part I, for submission of a preapplication to the appropriate State and area-wide clearinghouses at the same time that it is submitted to HUD. Although HUD has up to 45 days to respond to a preapplication, the Department expects to respond to all preapplications within 20 days of the closing date for the receipt of preapplications. Clearinghouse comments should be received by HUD within 15 days of receipt of a preapplication in order that HUD may respond promptly to preapplications. This period may be informally extended by mutual agreement between HUD and a clearinghouse, provided it will not delay the HUD response. However, any comment by a clearinghouse during the preapplication stage will not be considered a substitute for review under the regular procedures of Part I to A-95 unless the clearinghouse so indicates.

(2) *Final applications.* For final applications the Office of Management and Budget has granted for first year submissions only, an exception to the length of review time. Under the exception, a preapplication submission in accordance with the preceding subparagraph will meet the normal A-95 requirement that applicants notify clearinghouses of the intent to apply for assistance and the subsequent clearinghouse review of such notification. Therefore, for first year submissions only, final applications will be subject only to the A-95 requirement that

clearinghouses be provided 30 days for review of the completed final application. Final applications submitted under this subpart which have not been preceded by a preapplication are subject to the requirements of 570.300(c).

(3) *Indian tribes.* Applications from federally recognized Indian tribes are not subject to the regular A-95 requirements. However, Indian tribes may voluntarily participate in the A-95 Project Notification and Review System and are encouraged to do so. HUD will notify the appropriate State and area-wide clearinghouses of any applications from federally recognized Indian tribes upon their receipt.

(e) *Advances of funds.* Applicants are not authorized to receive an advance of funds from discretionary grants, as described in § 570.302, except for Guam and the Virgin Islands which may receive an advance of funds in an amount not to exceed ten percent of their hold harmless amounts. In response to a request by a unit of general local government, the Secretary may, however, in cases of demonstrated need, issue a letter to proceed authorizing an applicant to incur costs for the planning and preparation of an application for funds available under this subpart. Reimbursement for such costs will be dependent upon HUD approval of such application.

(f) *Review of applications for discretionary grants—(1) Acceptance of application.* HUD will accept an application for review, *Provided, That:*

(i) It has been received before the close of business on the final date established by HUD for submission of applications for each fiscal year;

(ii) The application is complete, as required in this subpart;

(iii) The required certifications have been properly executed; and

(iv) The applicant has attached or enclosed any comments or recommendations made by or through state and area-wide clearinghouses or has stated that no comments or recommendations have been received.

(2) *Timing of review.* While the Secretary is not required by the Act to review and approve a discretionary grant application within any specified time period, the Secretary will make every effort to complete his review of all such applications within 75 days.

(3) *Notification to applicants.* The Secretary will notify the applicant in writing that the application has been approved, partially approved, or disapproved. If an application is partially approved or disapproved, the applicant will be informed of the specific reasons for partial approval or disapproval. The Secretary may make conditional approvals, as provided in § 570.306(e).

(g) *Program amendments.* Recipients shall request prior HUD approval for program amendments wherever the amendment results from changes in the scope or the objective of the approved program.

(h) *Performance Report.* Except for new communities and innovative projects, each recipient shall, upon completion of the activities carried out with the discretionary grant, or upon submission of a subsequent discretionary grant ap-

plication, whichever is earlier, submit a performance report as described in § 570.906(b), and shall meet the requirements of § 570.906(c) concerning notice of the availability of the report for examination by the public.

§ 570.401 Urgent needs fund.

(a) *Eligible applicants.* Eligible applicants are States, and units of general local government as defined in § 570.3(v). For the purpose of this section, the second sentence in § 570.3(v) includes those entities described in § 570.403(b) (1), (2) and (3).

(b) *Criteria for Selection.* The Secretary shall make grants for the purpose of facilitating an orderly transition to the community development block grant program and to provide for urgent community development needs which cannot be met through the allocation provisions of § 570.102, § 570.103, and § 570.104(c), giving priority to the following:

(1) The analysis performed by the unit of general local government (and concurred in by HUD) of its ongoing projects or program undertaken pursuant to Title I of the Housing Act of 1949 indicates that the entitlement amount is: (i) Insufficient, over a three-year period beginning January 1, 1975, to complete the program or project plan as approved by HUD; or (ii) in any one of those three years the entitlement amount will be insufficient to maintain the progress schedules adopted locally for achievement of the program and the inability to maintain such progress will seriously and adversely affect the Federal interest in the project or program.

(2) A unit of general local government participated in the planned variations demonstration assisted under the provisions of the Demonstration Cities and Metropolitan Development Act of 1966 and will suffer a significant decrease in the level of ongoing activities funded under the planned variations demonstration.

(3) A state or unit of general local government, as a result of cost increases due to circumstances beyond its control, has been unable to complete an ongoing project assisted under one or more of the following terminated categorical programs: (i) Water and sewer facilities under section 702 of the Housing and Urban Development Act of 1965; (ii) neighborhood facilities under section 703 of the Housing and Urban Development Act of 1965; (iii) open-space land under Title VII of the Housing Act of 1961; and the Secretary's analysis of the financial capacity of the unit of general local government indicates a lack of available resources locally or otherwise to finance completion of the project and the Federal investment in the project as of January 1, 1975 warrants the incremental Federal assistance required to complete the project.

(c) *Application requirements.* Applications for funds to meet urgent community development needs shall be submitted by States and units of general local government to the HUD Area Office serving the locality. The required docu-

mentation establishing the basis for grants under this section shall be supplied by applicants at the request of the HUD Area Office. Planned Variation cities requesting funds under criterion (2) shall comply with the application requirements outlined in § 570.303. Applicants under criteria (1) and (3) shall submit documentation, in a manner prescribed by HUD, justifying and documenting the urgent need for funds under this section, and shall provide the certifications required by § 570.303(e) (1), (3), (4), (5), (6), and (8).

§ 570.402 General purpose funds for metropolitan and nonmetropolitan areas.

(a) *Eligible applicants.* Eligible applicants are States, and units of general local government as defined in § 570.3(v), excluding metropolitan cities, urban counties and units of general local government which are included in urban counties as described in § 570.105(b) (3) (ii) and (iii). For the purpose of this section, the second sentence in § 570.3(v) includes those entities described in § 570.403(b) (1), (2) and (3).

(b) *Criteria for selection.* In selecting among applications, priority will be extended to those applications showing the following conditions, and proposing activities which directly or indirectly relate to these conditions:

(1) Extent of substandard housing conditions determined as follows:

(i) for metropolitan areas, the proportion and extent of overcrowded housing as defined in § 570.3(i) and expressed as a percentage of the total housing units in the unit of general local government; and

(ii) for nonmetropolitan areas, the proportion and extent of housing units lacking plumbing as published by the United States Bureau of the Census for 1970 for rural areas and expressed as a percentage of the total housing units in the unit of general local government.

(2) The proportion and extent of poverty as defined in § 570.3(j) and expressed as a percentage of the total population for the unit of general local government.

(3) An extraordinarily high rate of growth or a severe and rapid decline in population and economic activity, either one of these conditions resulting primarily from the impact of national policy decisions or direct Federal program decisions, and where the program is designed to offset or mitigate the effects of sudden spurts or declines in growth.

(4) Conditions which represent an imminent threat to public health or safety.

Additional priority may be extended where there are joint and voluntary cooperation agreements between States and units of general local government or two or more units of general local government and the activities are designed to implement housing and community development plans that are Statewide or areawide in scope, provided that one or more of the participants in the agreement also meets at least one of the other

criteria listed in this subsection. Area Offices of HUD are authorized at their discretion (but not required) to set maximum grant limits for each fiscal year, related to the total amount of discretionary balance available in that year to a given metropolitan area or to the nonmetropolitan portion of a State. A judgmental factor which may be applied by each Area Office is an estimate of the capacity of the applicant to complete the proposed activities within the estimated cost.

(c) *Application requirements.* Applicants for general purpose funds for metropolitan and nonmetropolitan areas shall meet the application requirements in § 570.303.

(d) *Waiver of Application requirements.* The provisions of § 570.304 shall also apply to applications under this section.

(e) *Applications submitted by States.* States (including the Commonwealth of Puerto Rico) may apply for general purpose funds for metropolitan and nonmetropolitan areas to carry out eligible activities in metropolitan and nonmetropolitan areas, respectively.

(1) Separate applications are required for nonmetropolitan areas and for each separate metropolitan area for which a State seeks funds.

(2) The geographical area to be covered by the application shall be the jurisdiction of the unit or units of general local government in which the proposed activity or activities are to be located or carried out. This policy pertains particularly to the community development plan summary, as described in § 570.303(a), and the housing assistance plan, as described in § 570.303(c). The State application shall indicate that the housing assistance plan has been adopted by the unit or units of general local government.

(3) A State may not apply for activities to be located in or carried out in metropolitan cities, urban counties or units of general local government which are included in urban counties, unless such funds have been reallocated in accordance with the provisions of § 570.107.

(4) A State may apply for activities to be carried out pursuant to State authority or pursuant to an agreement with one or more units of general local government.

(f) *Reallocation of funds.* When funds are reallocated in accordance with the provisions of § 570.107, the policies and criteria of this section shall apply except that metropolitan cities, urban counties and units of general local government which are included in urban counties shall be eligible applicants for reallocated funds. In Fiscal Year 1975, funds will be reallocated as soon as practicable after May 15, 1975.

§ 570.403 New communities.

(a) *General.* This Section covers grants made in behalf of activities and projects to be undertaken in direct support of a new community (which term means a new community approved by the Secretary under Title VII of the Housing and Urban Development Act of 1970 or Title IV of the Housing and Urban De-

velopment Act of 1968), and reflected in a current new community development plan (the development plan which forms an attachment to each new community project agreement by and between each developer and the United States, as the same may be revised and amended from time to time).

(b) *Eligible Applicants.* States, and units of general local government which meet the definition contained in § 570.3 (v) may apply under this subsection for grants made on the basis of the provisions of this section. For the purpose of this section, the second sentence in § 570.3(v) includes:

(1) A State land development agency or local public body or agency with authority to act as a developer of a new community.

(2) Any community association (including any homes association), or other similar nonprofit organization established in a new community under covenants approved by the Secretary in connection with approved new community development projects, or any community authority established under State law for similar purposes, or any of the foregoing organizations otherwise approved by the Secretary which is legally and administratively qualified to carry to successful completion those projects for which grant assistance is sought by the applicant.

(3) A private new community developer or any subsidiary thereof organized in a form satisfactory to the Secretary: *Provided*, That a request has been made to an appropriate unit of general local government or a non-profit organization to apply for and serve as grantee for the direct benefit of the new community, and such request has been denied, or in the judgment of the New Communities Administration (NCA) of HUD, no acceptable response has been received within a reasonable period of time.

(c) *Application Requirements*—(1) *General.* The requirements of this paragraph shall be applicable only for the geographic area within the new community. The requirements set forth in this paragraph are designed to supplement application procedures and approval requirements of the new communities program under which applicants will have already provided substantial information to the Secretary.

(2) *Activities Program.* The application shall include a brief description of the activities and costs to be funded from the grants for the program year. The application shall identify separately any activities not previously submitted to and approved by NCA.

approved by the New Communities Administration (NCA) of the Department of Housing and Urban Development as part of Title IV or Title VII documentation. The estimated costs and general location of these latter activities are to be shown.

(3) *Certifications.* The Applicant shall submit certifications in such form as HUD will prescribe, providing the assurances required under § 570.303(e) (1), (3), (4) if applicable, (5) and (6) with

respect to activities undertaken with funds under this Part.

(4) *Environmental review requirements.* (1) For activities proposed by an applicant eligible under § 570.403(b) (2) or (3), no new environmental review or clearances will be required by virtue of any such activity's proposed funding under this part if the activity is a part of a previously approved project for which environmental review clearances have been completed, which clearances adequately covered such activity, and for which circumstances, including the availability of additional data or advances in technology, have not changed significantly.

If NCA determines that an additional review is required, environmental review shall be conducted by HUD pursuant to HUD Handbook 1390.1.

(ii) For activities proposed by an applicant eligible under § 570.403(b), other than under § 570.403(b) (2) or (3), environmental reviews shall be conducted by the applicant pursuant to 24 CFR Part 58, or, if applicable, by HUD in accordance with § 570.603.

(5) *Clearinghouse review.* Applicants must comply with the procedures set forth in OMB Circular A-95 (requiring review by a clearinghouse) only where the proposed Title I funded activities have not previously been the subject of clearinghouse review.

(6) *Performance report.* Progress in execution activities funded under the Act shall be reported to NCA as a part of the quarterly and annual reporting and review procedures.

(d) *Review and approval of applications.* All applications for grants to assist new community development projects pursuant to this section shall be submitted to NCA through the appropriate HUD Area Office.

(1) *Scope of review.* NCA will review the application, based upon data and information supplied by the developer of the new community project and other independent reviews conducted by NCA staff or others at NCA request, to determine pertinent facts and goals and their consistency with information contained in the Project Agreement, Development Plan, and other documents submitted by the developer or obtained by NCA in the project review process. The review will include application of the selection criterion in paragraph (d) (2) of this section.

(2) *Criterion for selection.* The criterion to be used in selecting among applications and activities is whether the grants are necessary to achieve new community objectives.

(e) *Grant administration.* The provisions of Subpart F, Grant Administration, shall be applicable to applicants, except that private developers shall not be required to comply with the competitive bidding requirements of subsections 3c (5), (6) and (8) of Attachment 0, FMC Circular 74-7, which is incorporated in § 570.507.

(f) *Program management.* Program management shall be accomplished within the framework of NCA project

management, including the financial and physical progress reports required by IICA administrative procedures.

(g) *Remedies for non-compliance.* The provisions of §§ 570.911, 570.912, and 570.913 shall apply, except that the provisions of § 570.912, dealing with securing compliance through State governors, shall not apply to private developers, or prospective grantees controlled by private developers.

§ 570.404 Arcawide projects [Reserved]

§ 570.405 Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.

(a) *Eligible applicants.* Eligible applicants are Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.

(b) *Criteria for funding.* Applicants may submit applications for discretionary grants for the full range of eligible activities described in § 570.200. The Secretary will establish for each fiscal year an amount for which each eligible applicant may apply. For Fiscal Year 1975, the following shall apply:

(1) Guam and the Virgin Islands shall each receive their hold-harmless amount as calculated pursuant to § 570.103(c). Guam and the Virgin Islands may also apply for funds to cover urgent needs not met by the hold-harmless amounts.

(2) The Secretary shall establish a funding level for American Samoa and the Trust Territory of the Pacific Islands, taking into account their needs and their local administrative capacity.

(c) *Application requirements.* Applicants shall meet the application requirements in § 570.303.

§ 570.406 Innovative projects.

(a) *Eligible applicants.* Eligible applicants are States, and units of general local government as defined in § 570.3 (v). For the purpose of this section, the second sentence in § 570.3(v) includes those entities described in § 570.403(b) (1), (2) and (3).

(b) *Criteria for selection.* (1) *Definition.* An innovative community development project is one which encompasses a concept, system, or procedure that is unique, advances the state of the community development art and has the potential for transferability. Where a proposed project is one which has been demonstrated or is in use elsewhere, the applicant will be expected to show the key variables of the project within the applicant's jurisdiction which will be significantly different from previous projects or that the circumstances and environment for its adaptation are different. In general, a project will not be considered as meeting innovative criteria if it does not potentially advance the state of technology.

(2) *Selection priorities.* Each year HUD may establish areas of national significance which will be given priority in the review of application for funds under this section. In Fiscal Year 1975 priority will be given to projects which address one or more of the following areas:

(1) *Public service productivity.* Efforts to make local government service more

effective, more efficient and less costly, and which are designed to mitigate the effects of inflation.

(ii) *Community development energy conservation.* Projects designed to enhance the rational use of energy for community development.

(iii) *Neighborhood preservation.* Projects which maximize the use of existing housing stock and community development and other resources for neighborhood preservation.

(3) *Other criteria.* In addition to the above criteria, HUD will consider the degree to which applications:

(i) Benefit persons of low and moderate income.

(ii) Integrate and relate the provision of housing to the provision of public facilities and/or supportive social services.

(iii) Demonstrate improved policy-planning-management capacity.

(iv) Demonstrate the involvement of both the public and private sectors.

(v) Encourage and reinforce the creation of community and neighborhood development organizations with the staff and ability to attract and involve public and private resources.

(vi) Serve as a prototype for improving community development activities, the demonstration of which would not otherwise be undertaken without Federal assistance.

(vii) Promote an increase in the diversity and vitality of neighborhoods.

(viii) Address problem areas common to a substantial number of communities.

(ix) Demonstrate activities which can be replicated by and transferred to a substantial number of communities.

(4) *Other review factors.* In addition, each application will be evaluated by such criteria as:

(i) The overall technical merit of the proposed project including the specific impact of the innovation.

(ii) The unique capabilities, related experiences, facilities or techniques which the applicant possesses and offers for achieving the objectives of the project.

(iii) The unique qualification capabilities and experience of proposed key personnel.

(iv) The availability of discretionary grant funding for innovative projects in light of competing needs.

(c) *Application requirements.* Applications shall be submitted to HUD's Office of Policy Development and Research through the appropriate HUD Area Office. Applications shall be in a format prescribed by HUD and shall include the following:

(1) A one page abstract summarizing the proposal and indicating where else in HUD or any other Federal agency the application has been sent within the last two years.

(2) A narrative describing the proposed project and how it conforms to the criteria for selection.

(3) The certifications required by § 570.303(e) (1), (3), (4), (5), (6), and (8) with respect to activities to be undertaken with funds under this Part. In ad-

dition, the applicant must certify that citizens likely to be affected by the project, particularly low and moderate income persons, have been provided an opportunity to comment on the application.

(d) *Reports.* In lieu of the annual performance report cited in § 570.906, recipients shall submit the following:

(i) *Outline for Final Project Report.* Midway through completion of the project (or at an alternate point in time as specified by HUD) each recipient shall prepare a detailed outline of the final project report under guidelines provided by HUD.

(ii) *Draft Report.* The recipient shall submit to HUD, six copies of a draft of the final project report with all readily reproducible charts, tables, graphs, and appendices that are to be included in the final report. In addition, each recipient shall meet the requirements of § 570.906 (c) concerning notice of the availability of the report for examination by the public with the exception that reports need only be available to be copied by the public.

(iii) *Final Report.* The report shall describe in appropriate detail the objectives of the project and how they were met, the methods and techniques that were used, the types of problems encountered during project execution and the methods used to resolve them and the conclusions and recommendations that are to be drawn from the demonstration project. The final report shall be in a form and manner prescribed by HUD.

(e) *Records.* Recipients must comply with the requirements of § 570.907, excluding § 570.907(b). In lieu of this exception, recipients shall maintain records describing the process used to provide an opportunity for citizens to comment on the application.

§ 570.407 Federally recognized disasters.

(a) *General.* Grants under this section shall be for the purpose of meeting emergency community development needs caused by federally recognized disasters. For purposes of this section, "federally recognized disasters" means any hurricane, tornado, storm, flood, high-water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, drought, fire, explosion, or other catastrophe in any part of the United States which (1) in the determination of the President, pursuant to the Disaster Relief Act of 1974 (42 U.S.C. 5121n.), (i) causes damage of sufficient severity and magnitude to warrant major disaster assistance under such Act, above and beyond emergency services by the Federal Government, to supplement the efforts and available resources of States, local governments and disaster relief organizations in alleviating the damage, loss, hardship, or suffering caused thereby, or (ii) requires Federal emergency assistance to supplement State and local efforts to save lives and protect public health and safety or to avert or lessen

the threat of a major disaster, or (2) in the determination of a Federal agency requires disaster or emergency assistance pursuant to the statutory authority of such Federal agency.

(b) *Eligible Applicants.* Eligible applicants are States, and units of general local government as defined in § 570.3 (v). For the purpose of this section, the second sentence in § 570.3(v) includes those entities described in § 570.403(b) (1), (2) and (3).

(c) *Criteria for Funding.* Within the limits of available funds, applications will be funded on the basis of the following criteria:

(1) Severity and magnitude of the federally recognized disaster, with priority given to needs caused by Presidentially declared major disasters.

(2) Community development needs identified which are essential for the immediate restoration or maintenance of community health, safety, or economic stability and resources are not available from other sources to meet these community development needs in a timely fashion.

(d) *Application Requirements.* An application should be submitted within 120 days after either the Presidential declaration or other Federal recognition that disaster or emergency assistance is required. The application shall describe the emergency needs, the proposed program of activities, sources of funds and the level of funding requested. If the emergency nature of the needs requires, satisfaction of selected application requirements may be postponed or waived by the Secretary. Applications shall be submitted to the appropriate HUD Area Office in a form and manner prescribed by HUD to ensure coordination with respect to other disaster relief and emergency measures undertaken or being considered.

§ 570.408 Inequities funds.

(a) *General.* Funds are available under this subpart to correct in whole or in part inequities resulting from the allocation provisions of Section 106 of the Act.

(b) *Eligible applicants.* Eligible applicants are States, and units of general local government as defined in the first sentence of § 570.3(v) or in § 570.403(a).

(c) *Criteria for selection.* The Secretary shall make grants to eligible applicants, giving priority to the following: Applications for funds available under this subpart shall be reviewed by the Secretary in accordance with the following criteria:

(1) Funding under this subpart is necessary to correct a technical error in the computation of a locality's entitlement amount.

(2) Funding under this subpart is needed by an applicant, meeting the criteria as specified in § 570.401(b) for urgent needs funds.

(3) Funding under this subpart is necessary to compensate for the fact that the applicant's hold harmless amount as calculated pursuant to § 570.103(c) is significantly lower than the average

amount of funds approved by HUD for applicable programs in such governmental unit during the fiscal years immediately preceding and immediately following the base period of Fiscal Years 1968 through 1972, and the applicant is subject to the phase-in provisions of § 570.102(c).

Grants may also be made under this section whenever implementation of the provisions of § 570.105 regarding the qualification of urban counties results in

a significant decrease in the anticipated levels of funding available for discretionary grants in metropolitan areas in accordance with § 570.104(c)(1).

(d) *Application requirements.* Applicants shall meet all application requirements in § 570.303.

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