

disqualified from the current and subsequent competitions until the obligations are current. An applicant whose response to an audit finding is overdue or unsatisfactory will be disqualified from the current and subsequent competitions until the applicant has taken final action necessary to close the audit finding(s). The Area ONAP administrator may provide exceptions to this disqualification requirement in cases where the applicant has made a good faith effort to clear non-monetary audit findings. In no instance, however, shall an exception be provided when funds are due HUD, unless a satisfactory arrangement for repayment of the debt has been made, and payments are current.

(b) *Application rating system.* Applications that meet the threshold requirements established in paragraph (a) of this section will be rated competitively within each Area ONAP's jurisdiction.

(c) *NOFAs* will define and establish weights for the selection criteria for each rating category contained in this subpart, will specify the maximum points available, and will describe how point awards will be made. Each Area ONAP will rate applications on the basis of their responsiveness to the criteria contained in this subpart as defined in the periodic NOFAs.

(d) *Set-aside selection of projects.* If funds have been set aside by statute for a specific purpose in any fiscal year, other criteria pertinent to the set-aside may be used to select projects for funding from the set-aside.

§ 1003.302 Project specific threshold requirements.

(a) *Housing rehabilitation projects.* All applicants for housing rehabilitation projects shall adopt rehabilitation standards and rehabilitation policies before submitting an application. The applicant shall assure that it will use project funds to rehabilitate units only when the homeowner's payments are current or the homeowner is current in a repayment agreement that is subject to approval by the Area ONAP. The Area ONAP administrator may grant exceptions to this requirement on a case-by-case basis.

(b) *New housing construction projects.* New housing construction can only be

implemented through a nonprofit organization that is eligible under § 1003.204 or is otherwise eligible under § 1003.207(b)(3). All applicants for new housing construction projects shall adopt, by current tribal resolution, construction standards before submitting an application. All applications which include new housing construction projects must document that:

(1) No other housing is available in the immediate reservation area that is suitable for the household(s) to be assisted; and

(2) No other sources can meet the needs of the household(s) to be assisted; and

(3) Rehabilitation of the unit occupied by the household(s) to be assisted is not economically feasible; or

(4) The household(s) to be housed currently is in an overcrowded housing unit (sharing with another household); or

(5) The household(s) to be assisted has no current residence.

(c) *Economic development projects.* All applicants for economic development projects must provide an analysis which shows public benefit commensurate with the ICDBG assistance requested will result from the assisted project. This analysis should also establish that to the extent practicable: reasonable financial support will be committed from non-Federal sources prior to disbursement of Federal funds; any grant amount provided will not substantially reduce the amount of non-Federal financial support for the activity; not more than a reasonable rate of return on investment is provided to the owner; and, that grant funds used for the project will be disbursed on a pro rata basis with amounts from other sources. In addition, it must be established that the project is financially feasible and that it has a reasonable chance of success.

§ 1003.303 Project rating categories.

(a) There are three project rating categories: housing, community facilities, and economic development. The housing rating category consists of three components: Housing rehabilitation, land to support new housing, and new housing construction. The community facility category consists of two

components: Infrastructure and buildings. The economic development category has only one component. With the exceptions indicated in paragraph (b) of this section, the following criteria will be used to rate projects.

- (1) Project need and design.
- (2) Planning and implementation.
- (3) Leverage.

(b) *Exceptions.* (1) Projects for the acquisition of land to support new housing will not be rated under the leverage criterion.

(2) Economic development projects will be not be rated under the project need and design and planning and implementation criteria. These projects will be rated under the leverage criterion and the following additional criteria.

- (i) Organization.
- (ii) Project success.
- (iii) Jobs.
- (iv) Additional considerations consisting of the following:
 - (A) Use, improvement, or expansion of tribal members' special skills.
 - (B) Provision of spin-off benefits.
 - (C) Provision of special opportunities for residents of Indian housing.
 - (D) Provision of benefits to other businesses owned by Indians or Alaska natives.
 - (E) Commitment to loan repayment or reuse of ICDBG funds.

§ 1003.304 Funding process.

(a) *Notification.* Area ONAPs will notify applicants of the approval or disapproval of their applications. Grant amounts offered may reflect adjustments made by the Area ONAPs in accordance with § 1003.100(b)(2).

(b) *Grant award.* (1) As soon as the Area ONAP determines that the applicant has complied with any pre-award requirements and absent information which would alter the threshold determinations under § 1003.302, the grant will be awarded. The regulations become part of the grant agreement.

(2) All grants shall be conditioned upon the completion of all environmental obligations and approval of release of funds by HUD in accordance with the requirements of part 58 of this title and, in particular, subpart J of

part 58 of this title, except as otherwise provided in part 58 of this title.

(3) HUD may impose other grant conditions where additional actions or approvals are required before the use of funds.

(Approved by the Office of Management and Budget under OMB Control No. 2577-0191.)

§ 1003.305 Program amendments.

(a) Grantees shall request prior HUD approval for program amendments which will significantly change the scope, location, objective, or class of beneficiaries of the approved activities, as originally described in the application.

(b) Amendment requests of \$100,000 or more shall include all application components required by the NOFA published for the last application cycle; those requests of less than \$100,000 do not have to include the components which address the selection criteria.

(c) Approval of an amendment request is subject to the following:

(1) A rating equal to or greater than the lowest rating received by a funded project during the most recent funding competition must be attained by the amended project if the request is for \$100,000 or more;

(2) Demonstration by the grantee of the capacity to promptly complete the modified or new activities;

(3) Demonstration by the grantee of compliance with the requirements of § 1003.604 for citizen participation; and

(4) The preparation of an amended or new environmental review in accordance with part 58 of this title, if there is a significant change in the scope or location of approved activities.

(d) Amendments which address imminent threats to health and safety shall be reviewed and approved in accordance with the requirements of subpart E of this part.

(e) If a program amendment fails to be approved and the original project is no longer feasible, the grant funds proposed for amendment shall be recaptured by HUD.