

Small Cities Development Program (SCDP)

Guidance applies to all project types

2021 Preliminary Proposal

Submission Deadline

Tuesday, November 17, 2020

4:30 PM

July 2020	SCDP Preliminary Proposal Packet available at http://mn.gov/deed/government/financial-assistance/community-funding/
November 17, 2020 4:30 PM	Preliminary Application Deadline
December 18, 2020	Preliminary proposal determination provided to applicants

PROGRAM GOAL

The goal of the Small Cities Development Program is to develop viable, eligible communities and provide a suitable living environments by expanding economic opportunities that principally benefit low to moderate income households. This goal is accomplished by providing financial assistance to address the need for decent, safe, affordable housing, economic development and adequate public facilities.

BACKGROUND

The Community Development Block Grant (CDBG) Program is a federal program that provides funding for housing, community, and economic development. In 1974, Congress passed the Housing and Community Development Act, Title I, which authorized the development of the CDBG Program. The Program, administered by the U.S. Department of Housing and Urban Development (HUD), consists of

two components, an entitlement program that provides funding directly to urban (entitlement) areas and a Small Cities Development Program (SCDP) which provides funding to non-entitlement communities.

The Minnesota Department of Employment and Economic Development (DEED) is responsible for administrating the state CDBG program for non-entitlement communities, per Minnesota Administrative Rules, Chapter 4300, Community Development Block Grants.

PROGRAM OBJECTIVE

All SCDP funded activities are intended to support community development activities that:

- Encourage and assist local governments to develop comprehensive economic development strategies which promote viable communities by providing economic opportunities for Low-to-Moderate Income Households;
- Encourage and assist local governments to develop comprehensive public facility improvement strategies in conjunction with Rural Development (RD), the Public Facility Authority (PFA), MN Pollution Control Agency (MPCA), and others, to make rural communities more viable, actions must also primarily benefit Low-to-Moderate Income Households;
- Develop and implement strategies, which facilitate the coordination of CDBG Small Cities funding with other federal/state/local community development resources.

Community development activities must meet one of the following Federal Objectives:

- Benefit to low and moderate income (LMI) persons/households. LMI is defined as a household's total income, from all members, does not exceed 80% of the county median income, adjusted for household size as determined by HUD annually.
 - Activities include owner-occupied and rental housing rehabilitation, public facilities, assessment abatement and streetscapes
- Prevent or eliminate slum and blight conditions.
 - Activities include commercial rehabilitation or streetscape (if LMI cannot be used).
- Alleviate urgent community development need caused by conditions which pose a serious and immediate threat to the health or welfare of the community and where other financial resources are not available.
 - Activities include disaster recovery where an LMI federal objective cannot be satisfied.

For more information, go to the "[Federal Objectives for Applicants](#)" section of the [SCDP A-Z Guide](#), found on our website.

ELIGIBILITY

Eligible applicants are cities with a populations under 50,000 and counties and townships with an unincorporated population under 200,000. In order to be considered eligible, an applicant must be in compliance with all applicable state and federal laws, regulations and executive orders that pertain to the Community Development Block Group Small Cities Development Program.

Joint community applications are eligible, they must be approved by the governing bodies of all communities in the application. No more than three communities can comprise one application. All participating communities must meet DEED contractual requirements. All communities must meet

citizen participation requirements and a cooperative agreement must be attached as an appendix to the full application.

Eligible applicants can only receive one competitive award per grant year and no applicant shall be included in more than one competitive application, whether as a primary applicant or as a secondary applicant. Applicants can receive one federal Economic Development Grant (ED) from the Minnesota Investment Fund (MIF) in addition to a SCDP competitive grant each application year.

Applicants are subject to a capacity and performance evaluation, to ensure the applicant has the capacity to complete the proposed project.

Communities with past due monetary obligations, not current on all SCDP reporting, have federal audit findings, or have unresolved SCDP monitoring are not eligible to submit a preliminary proposal or application. Administrative entities involved with a current SCDP project with SCDP findings that are not being addressed in a timely manner are not eligible to be named as an administrator in a preliminary proposal or application.

FUNDING

DEED provides funds to communities in the form of a grant. The grant is provided to the grantee on a cost reimbursement basis. Awardees have the ability to sub-grant funds in the form of loans, deferred loans, grants, and/or installment loans. Financing terms for these funds must be specified within the application.

The annual amount of funding that is made available from HUD through DEED varies. It is DEED's intention to provide SCDP funds in accordance to the following approximate allocations:

- Thirty percent (30%) for Single Purpose Applications
- Fifty-five percent (55%) for Comprehensive Applications
- Fifteen percent (15%) is designated for DEED's Federal Economic Development set-aside the Minnesota Investment Fund Program (MIF).

Allocation percentages may be modified by the Commissioner of DEED if determined that there is a shortage of competitive applications in any category. At least 70% of the annual SCDP allocation will be awarded to activities that meet a LMI federal objective.

SCDP funding may be made available in the event of an Urgent Community Development need or the occurrence of certain federal or state declared disasters. Please contact the DEED representative assigned to your region for further information.

TYPES OF APPLICATIONS

Single Purpose Application is used for **housing projects** which include one or more housing activities designed to increase the supply or quality of dwellings suited for the occupancy of the individuals and families. Single purpose applications can also be used for **public facilities projects**. Public facilities projects include one or more activities designed to construct, reconstruct, or install buildings/infrastructure that serve a community or neighborhood area. Examples include, water/wastewater treatment facilities, streetscapes, and public aesthetic amenities that are part of a larger renewal or beautification plan. Single purpose applications cannot exceed \$600,000.

The ***Comprehensive Application*** is used for projects that include a combination of at least two related activities, one of which must be a housing activity, all activities will address community development needs. For multi-community applications, each community's proposed activities must meet the definition of a comprehensive project in order for multi-community applications to be eligible as a comprehensive project. These projects must benefit a defined geographical area. Total funding request cannot exceed \$1.4 million and each activity within the application cannot exceed \$600,000, including administrative expenses.

ELIGIBLE USE OF FUNDS

Funds from the Small Cities Development Program can be used to address the following activities:

- Housing rehabilitation: owner-occupied, single family, rental/multi-family units, and conversion
- Commercial rehabilitation
- Public facility improvements: (i.e., water systems, sewer systems, drainage facility construction or improvements, etc.)
- Community center/facility
- Streetscape
- Public aesthetic amenities
- Assessment abatement (restricted to households at 50% or lower of county median)
- Acquisition/rehabilitation (generally associated with disaster recovery activities)
- Acquisition/demolition (generally associated with disaster recovery activities)
- Relocation (generally associated with disaster recovery activities)

PRELIMINARY PROPOSAL - APPLICATION REVIEW

The review process for the Small Cities Development Program application process is designed to ensure that the limited amount of Small Cities Development Program funds are awarded to communities that, at a minimum:

- Meet a Federal Objective with an eligible activity,
- demonstrate a significant need, impact, and cost effectiveness, and
- document a strong degree of readiness for the activity to proceed

If during the review processes, it is determined that more information is needed or required items are missing from the preliminary proposal or application, the applicant will be contacted and given a specified amount of time to submit the items.

Applicants must use the format provided. All parts of the application must be completed. Correspondence expressing support, interest statements, pictures, etc. may be added as attachments.

Responses to the questions should be clear and concise. All applications will be evaluated using selection criteria established by policy outlined in Minnesota Administrative Rules, Chapter 4300, Community Development Block Grants. Applications will be scored in the areas of Need, Impact, Cost Effectiveness and Demographics. Demographics are based on resident incomes and community tax capacity.

Additional program and reporting requirements can be found in the [SCDP A to Z Guide](#) and on the SCDP website.

CONTRACTING FOR PROFESSIONAL SERVICES

Federal procurement standards apply to CDBG funded projects, this includes the selection of an administrator if applicants choose to use one. The grantee and the administrator must enter into a written agreement which must remain in effect during the entire time that the administrator has a role with CDBG funds, including program income. Reference 2 CFR Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards.

Applicants may not use SCDP funds or program income for professional services for the preparation of application materials.

Grantees are ultimately responsible for compliance with grant agreements and all environmental review requirements.

Per 2 CFR §200.301 and 2 CFR §200.331: For local units of government expecting to receive \$750,000 of federal funds or more in their fiscal The grantee will establish and maintain effective internal control over all sub-recipients, including administrators, throughout the project. Internal controls will provide reasonable assurances that the grantee is managing sub-recipients of an awarded project in compliance with federal statutes, regulations, and the terms of the conditions of a grant award.

TECHNICAL ASSISTANCE

Prior to the preliminary proposal and application deadlines, SCDP staff are available to provide technical assistance to questions regarding the application, program regulations, and program terms. These questions should be directed to the DEED representative assigned to the region where the project is proposed.

AWARD ANNOUNCEMENT PROCESS

Notice of funding awards will be announced and made available through DEED's website. Both awarded and non-awarded applicants will be notified of the decisions.

APPLICATION SUBMISSION INFORMATION

The application process for SCDP funding consists of a preliminary application and a final application phase.

Eligible applicants must submit **one original and one copy** of the preliminary proposal to the address listed below. The original and copy should be printed in color. SCDP staff will review and evaluate all preliminary proposals submitted to determine which projects are eligible and how competitive eligible projects would be in the application phase.

Minnesota Department of Employment and Economic Development
1st National Bank Building
332 Minnesota Street, Suite E200
St. Paul, MN 55101-1351
Attn. Community Finance Division, SCDP

Preliminary Proposals must be received by DEED on or before 4:30 pm on Tuesday, November 17, 2020. Faxed or e-mailed applications will not be accepted.

Communities with preliminary proposals deemed 'competitive' or 'marginally competitive' will be permitted to submit an application. Communities choosing to submit an application must submit one original and one copy, including attachments, to the address above.

If a preliminary proposal is deemed 'not competitive', technical assistance from DEED is available for future submissions after awards are announced.

Full Applications must be received by DEED on or before 4:30 pm on Friday, February 26, 2021. Faxed or emailed applications will not be accepted.