2021 Small Cities Development Program
Application Training
Webinar

Welcome!
History

• Funding is made possible through Title 1 of the Housing and Community Development Act of 1974

• Congress amended the Housing and Community Development Act in 1981 to give each State the opportunity to administer CDBG funds for non-entitlement areas.
Small Cities Development Program

Goal

- Develop viable communities by providing financial assistance to address the need for decent safe affordable housing, economic development, and public facility needs, **AND**;

- Provide a suitable living environment by expanding economic opportunities, principally benefiting low to moderate income households
Annual Allocation

- 2021 – Undetermined
- 2020 – $19,092,191
- 2019 - $18,501,140
- 2018 - $18,512,875
Encourage and assist local governments to develop:

- comprehensive economic development
- comprehensive public facility improvement
- implement strategies coordination of CDBG Small Cities funding with other federal/state/local community development resources.
SCDP Program Objective

All proposed activities must meet a Federal Objective:

• **LMI** (Benefit to Low/Moderate Income Households on an individual basis)

• **LMA** (Benefit to Low/Moderate Income People on an Area Basis)
SCDP Program Objective

- Alleviation of Slum and Blight (S&B) on an area basis
- Urgent Community Development Need (UCDN) (disaster situations)
- 70% of HUD allocated funds (all projects combined) must meet an LMI or LMA Federal Objective

*See SCDP A to Z Guide for additional information*
SCDP Eligible Applicants

• Cities with populations under 50,000 or

• Counties and townships with unincorporated population of fewer than 200,000

• Entitlement areas are not eligible
  • Cities of Bloomington, Coon Rapids, Duluth, Eden Prairie, Mankato, Minneapolis, Minnetonka, Fargo/Moorhead, Plymouth, Rochester, St. Cloud, St. Paul, Woodbury
  • Counties of Hennepin, Anoka, Dakota, Ramsey, Washington, and St. Louis
Application Steps

• Step #1 - Preliminary Proposal
  – Due 11/17/20

• Step #2 – Full application
  – Due 2/26/21

Both are located on the “Apply” tab of the Small Cities Development Program (SCDP) portion of the DEED website
Preliminary Proposal Process

- **Preliminary Proposal Submission**
- **Screening & Ranking**
  - **Competitive/Marginally Competitive**
  - **Not Competitive**

  **Competitive/Marginally Competitive**:
  - DEED sends invitation notice to the City

  **Not Competitive**:
  - Preliminary Proposal Review (SCDP Rep & City)

- **Full Application**
Grant Administrators

• Grantees are allowed to procure grant administrators

• For-profit administrators (including engineering and architect firms) must be procured via the “Common Rule”
DEED Administrative Policy

• Administrative funds capped at 15% of actual project costs
  – Public facilities administration maximum allowed is the lesser of 15% or $20,000

• Up to 5% of administrative budget can be drawn for start-up expenses (environmental review, policy formulation, etc.)
  - After this 5%, administration, disbursements cannot exceed 15% of actual project costs
Applicant Requirements

- Projects must be completed in 36 months from award letter
- One application per community
- Local government must adopt a resolution
- Citizen participation plan
- Public hearings
- Sign application
Applicant Requirements

• Program Income must be used first

• Applicants are subject to a capacity and performance evaluation

• Non-eligible communities include:
  – Past due monetary obligations
  – Not current on SCDP reporting
  – Federal audit findings
  – Unresolved SCDP monitoring issues
Applicant Requirements

• Take measures to determine if any elected officials are interested in participating in any proposed rehabilitation activity

• Make sure that those who might be interested and eligible abstain from voting on advancing a preliminary proposal forward
Federal Requirements

- Environmental Review
- Fair Housing/Equal Opportunity
- Federal Davis-Bacon Wage requirements
  - Rental properties with 8 or more units
  - Commercial rehabilitation
  - Public facility
Federal Requirements

- Annual/Final reporting
- Monitoring (*ongoing*)
- Program Income (*use, tracking, reporting*)
Definition of a Single Purpose Application

- One or more housing activities designed to increase supply or quality of dwellings suited for the occupancy of the individuals and families

  or

- Public facilities projects which include one or more activities designed to reconstruct and serve a neighborhood area or community

- Funding cannot exceed $600,000, including administration
Definition of a Comprehensive Application

- Two or more related projects – one must be housing
- Funding request cannot exceed $1.4 million
- Each activity within the application cannot exceed $600,000, including administrative expenses associated with the activity
Eligible Activities

• Owner Occupied Housing Rehabilitation

• Rental Housing Rehabilitation

• Commercial Rehabilitation

• Public Facilities
  • Water and Wastewater/Assessment Abatement
  • Community Centers
  • Streetscape
  • Aesthetics
## Eligible Uses of Funds

<table>
<thead>
<tr>
<th>Owner Occupied Rehab</th>
<th>Rental Rehab</th>
<th>Commercial Rehab</th>
<th>Public Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Quality Standards</td>
<td>Housing Quality Standards</td>
<td>Code Enforcement</td>
<td>Repair, replacement</td>
</tr>
<tr>
<td>Accessibility</td>
<td>Accessibility</td>
<td>Accessibility</td>
<td>Construction</td>
</tr>
<tr>
<td>Health and Safety - lead</td>
<td>Health and Safety - lead</td>
<td>Energy Efficiency</td>
<td>Assessment Abatement</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Facade</td>
</tr>
</tbody>
</table>

*See A to Z Guide for more information*
Owner Occupied Housing Rehabilitation
Owner Occupied Housing Rehabilitation

- Income eligibility – does not exceed 80% of county median income
- SCDP Maximum funds - $25,000 per unit
- Deferred loan terms – minimum of 7 years
- Good leverage
  - Sources other than homeowners are more competitive
- Attainable goals
- Demonstrated need and impact
- Financial packet
  - Affordability calculation or 100% deferred
Citywide or Target area

Citywide

- Cities with population of 5,000 and under (including combined population of multi-city proposals)

Target Area

- Cities with population of more than 5,000
- Plan B for secondary target area is encouraged as a contingency
- Describe when Plan B target area would be implemented
Example of citywide based application

- Citywide application based on city population of 3000
- 400 total homes
- 300 are suitable and in need of repair
- 150 interest statements
Owner Occupied Housing Rehabilitation

Reminders

• Data provided in proposal and application must include sum of Plan A and Plan B target area data.

• Properties not eligible
  – Single-wide mobile homes even if on a foundation
  – Minnesota Urban and Rural Homesteading (MURL) homes
  – Reverse Mortgage properties
  – Houses on a 100 year floodplain.

• Contract for Deed – If a community opts to allow, both the resident and owner(s) must be LMI
## Owner Occupied Project Sample Budget

<table>
<thead>
<tr>
<th>Fed. Obj. Codes*</th>
<th>Activity</th>
<th># of units/goals</th>
<th>SCDP Cost Per unit</th>
<th>SCDP Cost/without admin</th>
<th>Total SCDP Admin</th>
<th>SCDP Admin %</th>
<th>Total SCDP Costs</th>
<th>Total Leveraged Resources</th>
<th>Source of Leveraged Funds</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owner Rehab</td>
<td>20</td>
<td>21,250</td>
<td>425,000</td>
<td></td>
<td></td>
<td>425,000</td>
<td>HRA(c)</td>
<td>RD(c)</td>
<td>505,000</td>
</tr>
<tr>
<td></td>
<td>Owner Rehab Admin</td>
<td>20</td>
<td>3,188</td>
<td>63,750</td>
<td></td>
<td>15.0%</td>
<td>63,750</td>
<td>0</td>
<td>N/A</td>
<td>63,750</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>488,750</td>
<td>80,000</td>
<td></td>
<td>568,750</td>
</tr>
</tbody>
</table>
Rental Housing Rehabilitation
Rental Housing Rehabilitation

- Single Family Rental
- Duplex
- Multi-family
- Mixed-use
Single Family Rental Housing & Duplex Rehabilitation
# SINGLE FAMILY RENTAL AND DUPLEX REHABILITATION

<table>
<thead>
<tr>
<th>SINGLE FAMILY RENTAL REHAB</th>
<th>DUPLEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCDP Maximum - $25,000 per home</td>
<td>SCDP Maximum - $25,000 per duplex</td>
</tr>
<tr>
<td>Free standing structures on scattered sites, stick built and/or double wide manufactured house on a foundation</td>
<td>Free standing structures on scattered sites</td>
</tr>
<tr>
<td>Deferred loan terms – minimum of 5 years</td>
<td></td>
</tr>
<tr>
<td>SCDP Maximum of 70% per project cost</td>
<td></td>
</tr>
<tr>
<td>Target areas are optional</td>
<td></td>
</tr>
</tbody>
</table>
Multi-Family Rental Housing Rehabilitation
Multi-Family Rental Housing Rehabilitation

- SCDP Maximum funds - $12,500 per unit or on a case by case basis
- Deferred loan terms – minimum of 5 years
- SCDP Maximum of 70% per project cost
- Multiple types of projects
  - Free standing structures on scattered sites
  - Larger projects – In conjunction with Minnesota Housing Tax Credits
  - MHFA RFP
  - Smaller multi-unit projects – Minnesota Housing RRDL or POHP funds
  - Mixed use – rentals above commercial buildings.
- Davis Bacon Wage Rates may apply
- Accessibility standards must mirror MHFA (If funding partner)
## Rental Project Sample Budget

<table>
<thead>
<tr>
<th>Fed. Obj. Codes*</th>
<th>Activity</th>
<th># of units/goals</th>
<th>SCDP Cost Per unit</th>
<th>SCDP Cost/without admin</th>
<th>Total SCDP Admin</th>
<th>SCDP Admin %</th>
<th>Total SCDP Costs</th>
<th>Total Leveraged Resources</th>
<th>Source of Leveraged Funds (Mark (c) if funds are committed**.)</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LMI</strong></td>
<td>Rental Rehab-Single Family</td>
<td>7</td>
<td>17,360</td>
<td>121,520</td>
<td>121,520</td>
<td></td>
<td>122,400</td>
<td>MHFA(c) GMHF c</td>
<td>243,920</td>
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<tr>
<td></td>
<td>Rental Rehab Admin</td>
<td>7</td>
<td>2,431</td>
<td>17,013</td>
<td>17,013</td>
<td>14</td>
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<tr>
<td><strong>LMI</strong></td>
<td>Rental Rehab-Multi-Family</td>
<td>12</td>
<td>3,000</td>
<td>36,000</td>
<td>36,000</td>
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<td>50,000</td>
<td>RRDL(c)</td>
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<tr>
<td></td>
<td>Rental Rehab Admin</td>
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<td>300</td>
<td>3,600</td>
<td>3,600</td>
<td>10.0%</td>
<td>3,600</td>
<td>City (c)</td>
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<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>353,533</strong></td>
</tr>
</tbody>
</table>
Rental Housing Rehabilitation Reminders

- Duplexes – can only be done under Rental Rehabilitation and both units need to meet LMI if one unit is occupied by owner.

- Contract for deed or Life Estate properties – not eligible.

- Separate housing activities on budget page (SF, duplexes, MF).

- Property owners understand and agree to rules of program – 51% of the rental units must be occupied by LMI persons at HUD’s fair market rents.
Commercial Rehabilitation
Commercial Rehabilitation

• Must be combined with a housing project
• One SCDP project per legal description
• Buildings must be occupied by retail and independently-owned businesses
• Demonstrate how funds will improve the vitality of the community
  – Mixed-use for bigger impact
Commercial Slum and Blight Areas

• Declaring Slum and Blight Area:
  – At least 25% of the buildings are deteriorated or deteriorating, and have at least one of the following characteristics:
    • Physical deterioration of building or improvement
    • Abandonment of property
    • Chronic high turnover or vacancy rate
    • Significant decline in property value or abnormally low property value in relation to other areas of the community
    • Known or suspected environmental contamination.
Commercial Rehabilitation Policy Requirements

- SCDP maximum funds - $40,000 per unit
- SCDP maximum of 80% of total project costs
- Deferred loan terms - minimum of 5 years
Commercial Rehabilitation

- Federal Davis-Bacon Act applies

- Leverage dollars can come from property owners, city, county, economic development agencies

- Private match dollars can be used for SCDP non-eligible uses. *(For example - flooring and fixed equipment)*
## Comprehensive Project Sample Budget

<table>
<thead>
<tr>
<th>Fed. Obj. Codes*</th>
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<th># of units/goals</th>
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<th>Total SCDP Costs</th>
<th>Total Leveraged Resources</th>
<th>Source of Leveraged Funds (Mark (c) if funds are committed**.)</th>
<th>Totals</th>
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<tr>
<td>LMI</td>
<td>Owner Rehab</td>
<td>20</td>
<td>21,250</td>
<td>425,000</td>
<td>425,000</td>
<td></td>
<td>63,750</td>
<td>HRA</td>
<td></td>
<td>488,750</td>
</tr>
<tr>
<td></td>
<td>Owner Rehab Admin</td>
<td>20</td>
<td>3,187</td>
<td>63,740</td>
<td>63,740</td>
<td>15.0%</td>
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<td>63,740</td>
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<tr>
<td>S&amp;B</td>
<td>Commercial Rehab</td>
<td>6</td>
<td>31,000</td>
<td>186,000</td>
<td>186,000</td>
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<td>564,000</td>
<td>Owner</td>
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<tr>
<td></td>
<td>Comm. Rehab Admin</td>
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<td>3,750</td>
<td>22,500</td>
<td>22,500</td>
<td>12.1%</td>
<td>5,000</td>
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<td></td>
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<td>697,240</td>
<td>632,750</td>
<td></td>
<td>1,329,990</td>
</tr>
</tbody>
</table>

### Totals

|              |                |                  |                    |                         |                  |              | 611,000         | 86,240                    |                                                               |            |

*(c)* Indicates committed funds.
Public Facility Rehabilitation
Public Facilities
Municipal sewer and water

• Must be on State of MN Priority Project List (PPL)

• Clear physical need described

• Monthly costs per EDU are 1.5% of median income or $35 per month, whichever is higher
Public Facilities
Municipal sewer and water

• SCDP grants must make significant reduction in average user rates

• Funding and regulatory partners (PFA, Rural Development, Dept. of Health and MN Pollution Control Agency) must approve of proposed project scope and budget
Public Facilities
Municipal sewer and water

- Cannot assess SCDP Costs
- Meet federal objective through census or survey
- Must be able to document that facility is primarily for residential use
Public Facilities

Streetscape and Public Aesthetics

• Must be part of a larger community planning effort with other improvements planned
• Likely in downtown or other public gathering areas
Streetscape and Public Aesthetics

• Breakdown of streetscape and public aesthetics items and costs
  – decorative streetlights ($300,000)
  – trees ($20,000)
  – decorative garbage cans ($1,500)
Community Centers

- Funds are used to reconstruct deteriorated/deteriorating, outdated projects that pose a threat or hazard to the health and safety of residents

- Public facility projects - $600,000 is the maximum request

- Community center must benefit the entire community and support through resolution or council vote
## Public Facility Project Sample Budget

<table>
<thead>
<tr>
<th>Fed. Obj. Codes*</th>
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<th># of units/goals</th>
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<th>SCDP Admin %</th>
<th>Total SCDP Costs</th>
<th>Total Leveraged Resources</th>
<th>Source of Leveraged Funds (Mark (c) if funds are committed**.)</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>LMA</td>
<td>Water Distribution Lines</td>
<td>1</td>
<td>580,000</td>
<td>580,000</td>
<td></td>
<td>580,000</td>
<td>200,000</td>
<td>PFA</td>
<td></td>
<td>780,000</td>
</tr>
<tr>
<td></td>
<td>Public Facilities Admin</td>
<td>1</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
<td>15,000</td>
<td></td>
<td>City (c)</td>
<td></td>
<td>35,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
<td>580,000</td>
<td>20,000</td>
<td>600,000</td>
<td>215,000</td>
<td></td>
<td></td>
<td></td>
<td>815,000</td>
</tr>
</tbody>
</table>
Method of Distribution
State Rules for Funding Distribution

- 30% Single Purpose Applications
  - Housing
  - Public Facilities
- 55% Comprehensive Applications (must have commercial and/or public facilities activity)
- 15% Economic Development  (MN Investment Funds-Not awarded by SCDP)
Scoring Criteria
### Housing Scoring

<table>
<thead>
<tr>
<th>NEED</th>
<th>IMPACT</th>
<th>COST EFFECTIVENESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing units occupied by LMI that are substandard</td>
<td># of interested LMI households with deficiencies</td>
<td>Committed leverage</td>
</tr>
<tr>
<td>Inadequate supply of affordable housing for LMI</td>
<td>The close proximity of targeted homes</td>
<td>Use of funds for proposed activities benefiting households</td>
</tr>
<tr>
<td>Documented conditions of need for improvements</td>
<td>The uniqueness of the community</td>
<td>Repayment terms</td>
</tr>
</tbody>
</table>
## Public Facilities Scoring

<table>
<thead>
<tr>
<th>NEED</th>
<th>IMPACT</th>
<th>COST EFFECTIVENESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve provision of public facilities to LMI population</td>
<td># of interested LMI households with deficiencies</td>
<td>Committed leverage and use as “gap” financing</td>
</tr>
<tr>
<td>Eliminate an urgent threat to public health or safety</td>
<td>Capacity issues including Davis-Bacon wage rate administration</td>
<td>Cost of the proposed activities per benefiting household or person is reasonable;</td>
</tr>
<tr>
<td>Documented conditions of need for improvements</td>
<td>The extent to which the proposed activities will reduce or eliminate the need</td>
<td>Project benefits existing, rather than future, population</td>
</tr>
</tbody>
</table>
## Comprehensive Scoring

<table>
<thead>
<tr>
<th>NEED</th>
<th>IMPACT</th>
<th>COST EFFECTIVENESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number and Percentage of LMI residents in the target area</td>
<td>The extent to which the proposed comprehensive program will eliminate or slum and blight</td>
<td>Committed leverage and use as “gap” financing</td>
</tr>
<tr>
<td>Need for improvements to the housing stock serving low and moderate income persons</td>
<td>The extent to which the proposed program will improve the long term physical or economic condition</td>
<td>Cost of the proposed activities per benefiting household or person is reasonable</td>
</tr>
<tr>
<td>Documented conditions of need for improvements</td>
<td>How activities work together comprehensively to improve the community?</td>
<td>How cost effective are the use of grant funds?</td>
</tr>
</tbody>
</table>
## Demographics Scoring (All Activities)

<table>
<thead>
<tr>
<th>Number of persons of at or below poverty level in jurisdiction</th>
<th>Percentage of residents in the who are at or below poverty level</th>
<th>Per capita valuation of the area. Points are awarded by the inverse relationship to per capita assessed valuation</th>
</tr>
</thead>
</table>
Full Application
Full Application

- Detailed narrative
- Updated data
- Documentation needed
  - Adopted Local Government Resolution
  - Cooperative Agreements
  - Rehabilitation interest lists
  - Slum and Blight Resolution (if applicable)
  - Maps
  - Example survey
Application (Continued)

• Citizen Participation
  – Citizen Participation Plan – adopt before public hearing held
  – Accommodations for those needing access to meeting (hearing impaired, language barriers, etc.)
  – Promote program to low income and minority populated areas
  – Hold first public hearing - all communities involved in application, if applicable
Application Scoring

All Applications may be awarded points for the following:

- 90 Points for Need
- 90 Points for Community Impact
- 30 Points for Cost Effectiveness
- 30 Points for Demographics
Strong Applications

- Consistent information between budget and narrative
- Budgets add up correctly
- Excellent supporting documentation
- Feasible goals and timelines
- Well-documented interest for rehabilitation
Strong Applications

• Committed and realistic leverage amounts
• Follow the format provided
• Proofread by co-worker
• Clear and concise
• Demonstrate strong capacity – grantee and agency have experience
Common Mistakes

• Exceeding maximum project costs
• Little or no leverage, overstating available leverage
• Missing appropriate signatures
• Leaving questions blank and missing information (zip codes, legislative districts, census tract numbers)
Leverage Sources

- Minnesota Housing (OO, Rental)
- MHFA POHP (OO, Rental)
- PFA (PF)
- RRDL (PF, OO, Rental)
- Utility Co-op (PF, OO, Rental, Commercial)
- EDA/HRA (Commercial, OO, Rental)
- Local Fix Up Funds
Time Frames

- July 2020: Preliminary Proposal available on web site
- November 17, 2020: Deadline for Preliminary Proposal
- December 18, 2020: Preliminary project competitive status provided to applicants
- February 26, 2021: Deadline for Applications
- Spring 2021: Funding Recommendations to DEED Deputy Commissioner
- Summer 2021: Grant Agreements/Implementation Workshops
Submission Information

• Preliminary Proposal
  – One original, one copy
  – **Due:** Tuesday, November 17, 2020, 4:30 PM

• Application
  – One original, one copy
  – **Due:** Friday, February 26, 2021, 4:30 PM

*Faxed or e-mailed Proposals or Applications are not accepted*
Regional Representative Map

**SCDP Manager**
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