



# **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

# Program Objective

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

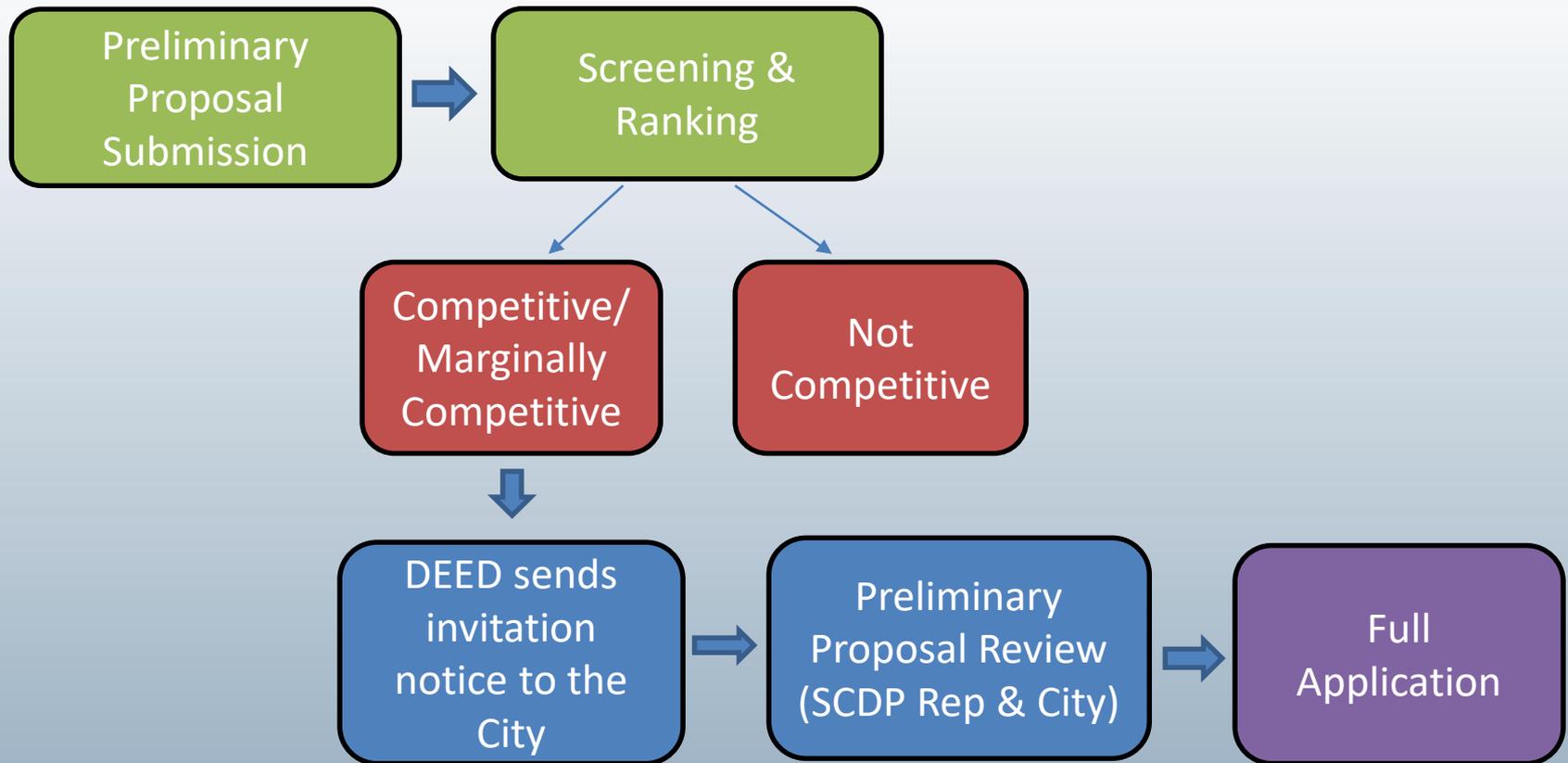
- Cities with populations under 50,000 or
- Counties and townships with unincorporated population of fewer than 200,000
- Entitlement areas are not eligible
  - Cities of Bloomington, Coon Rapids, Duluth, Eden Prairie, Mankato, Minneapolis, Minnetonka, Fargo/Moorhead, Plymouth, Rochester, St. Cloud, 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



# 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

Owner Occupied Rehab	Rental Rehab	Commercial Rehab	Public Facilities
Housing Quality Standards	Housing Quality Standards	Code Enforcement	Repair, replacement
Accessibility	Accessibility	Accessibility	Construction
Health and Safety - lead	Health and Safety - lead	Energy Efficiency	Assessment Abatement
		Facade	

\*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)

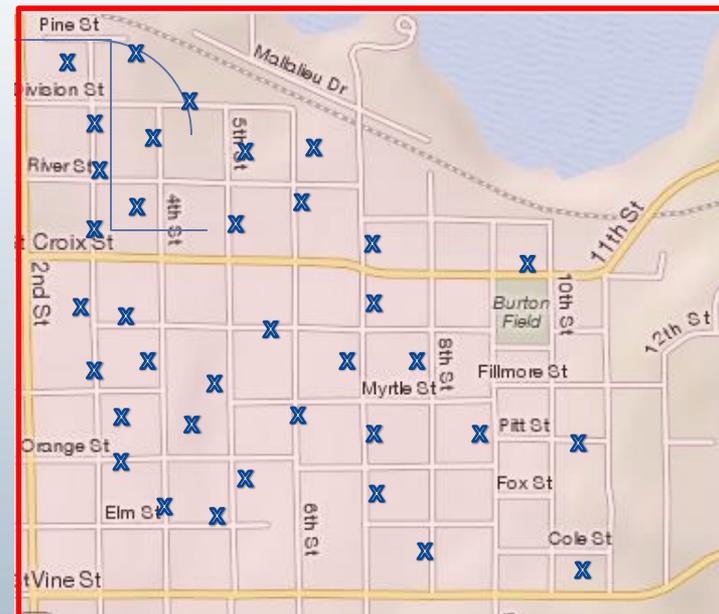
## Target Area

- 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

## Citywide



# 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

Fed. Obj. Codes*	Activity	# of units/goals	SCDP Cost Per unit	SCDP Cost/ without admin	Total SCDP Admin	SCDP Admin %	Total SCDP Costs	Total Leveraged Resources	Source of Leveraged Funds (Mark (c) if funds are committed**.)	Totals
<i>LMI</i>	<i>Owner Rehab</i>	<i>20</i>	<i>21,250</i>	<i>425,000</i>			<i>425,000</i>	<i>80,000</i>	<i>HRA(c) RD(c)</i>	<i>505,000</i>
	<i>Owner Rehab Admin</i>	<i>20</i>	<i>3,188</i>		<i>63,750</i>	<i>15.0%</i>	<i>63,750</i>	<i>0</i>	<i>N/A</i>	<i>63,750</i>
			<i>Totals</i>	<i>425,000</i>	<i>63,750</i>		<i>488,750</i>	<i>80,000</i>		<i>568,750</i>

# 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

SINGLE FAMILY RENTAL REHAB	DUPLEX
SCDP Maximum - \$25,000 per home	SCDP Maximum - \$25,000 per duplex
Free standing structures on scattered sites, stick built and/or double wide manufactured house on a foundation	Free standing structures on scattered sites
Deferred loan terms – minimum of 5 years	
SCDP Maximum of 70% per project cost	
Target areas are optional	

# 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

Fed. Obj. Codes*	Activity	# of units/goals	SCDP Cost Per unit	SCDP Cost/without admin	Total SCDP Admin	SCDP Admin %	Total SCDP Costs	Total Leveraged Resources	Source of Leveraged Funds (Mark (c) if funds are committed**.)	Totals
LMI	Rental Rehab-Single Family	7	17,360	121,520			121,520	122,400	MHFA(c) GMHF c)	243,920
	Rental Rehab Admin	7	2,431		17,013	14.0%	17,013	2,000	City (c)	19,013
LMI	Rental Rehab-Multi-Family	12	3,000	36,000			36,000	50,000	RRDL(c)	86,000
	Rental Rehab Admin	12	300		3,600	10.0%	3,600	1,000	City (c)	4,600
			<b>Totals</b>	<b>157,520</b>	<b>20,799</b>		<b>178,133</b>	<b>175,400</b>		<b>353,533</b>

# 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

Fed. Obj. Codes*	Activity	# of units/goals	SCDP Cost Per unit	SCDP Cost/ without admin	Total SCDP Admin	SCDP Admin %	Total SCDP Costs	Total Leveraged Resources	Source of Leveraged Funds (Mark (c) if funds are committed**.)	Totals
<i>LMI</i>	<i>Owner Rehab</i>	20	21,250	425,000			425,000	63,750	<i>HRA</i>	488,750
	<i>Owner Rehab Admin</i>	20	3,187		63,740	15.0%	63,740	0	<i>N/A</i>	63,740
<i>S&amp;B</i>	<i>Commercial Rehab</i>	6	31,000	186,000			186,000	564,000	<i>Owner</i>	750,000
	<i>Comm. Rehab Admin</i>	6	3,750		22,500	12.1%	22,500	5,000	<i>City (c)</i>	27,500
			<b>Totals</b>	<b>611,000</b>	<b>86,240</b>		<b>697,240</b>	<b>632,750</b>		<b>1,329,990</b>

# 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

Fed. Obj. Codes*	Activity	# of units/goals	SCDP Cost Per unit	SCDP Cost/without admin	Total SCDP Admin	SCDP Admin %	Total SCDP Costs	Total Leveraged Resources	Source of Leveraged Funds (Mark (c) if funds are committed**.)	Totals
<i>LMA</i>	<i>Water Distribution Lines</i>	<i>1</i>	<i>580,000</i>	<i>580,000</i>			<i>580,000</i>	<i>200,000</i>	<i>PFA</i>	<i>780,000</i>
	<i>Public Facilities Admin</i>	<i>1</i>	<i>20,000</i>		<i>20,000</i>	<i>3.4%</i>	<i>20,000</i>	<i>15,000</i>	<i>City (c)</i>	<i>35,000</i>
			<b><i>Totals</i></b>	<b><i>580,000</i></b>	<b><i>20,000</i></b>		<b><i>600,000</i></b>	<b><i>215,000</i></b>		<b><i>815,000</i></b>

# 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

NEED	IMPACT	COST EFFECTIVENESS
Housing units occupied by LMI that are substandard	# of interested LMI households with deficiencies	Committed leverage
Inadequate supply of affordable housing for LMI	The close proximity of targeted homes	Use of funds for proposed activities benefiting households
Documented conditions of need for improvements	The uniqueness of the community	Repayment terms

# Public Facilities Scoring

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

# Comprehensive Scoring

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

# Demographics Scoring (All Activities)

Number of persons of at or below poverty level in jurisdiction	Percentage of residents in the who are at or below poverty level	Per capita valuation of the area. Points are awarded by the inverse relationship to per capita assessed valuation

# 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

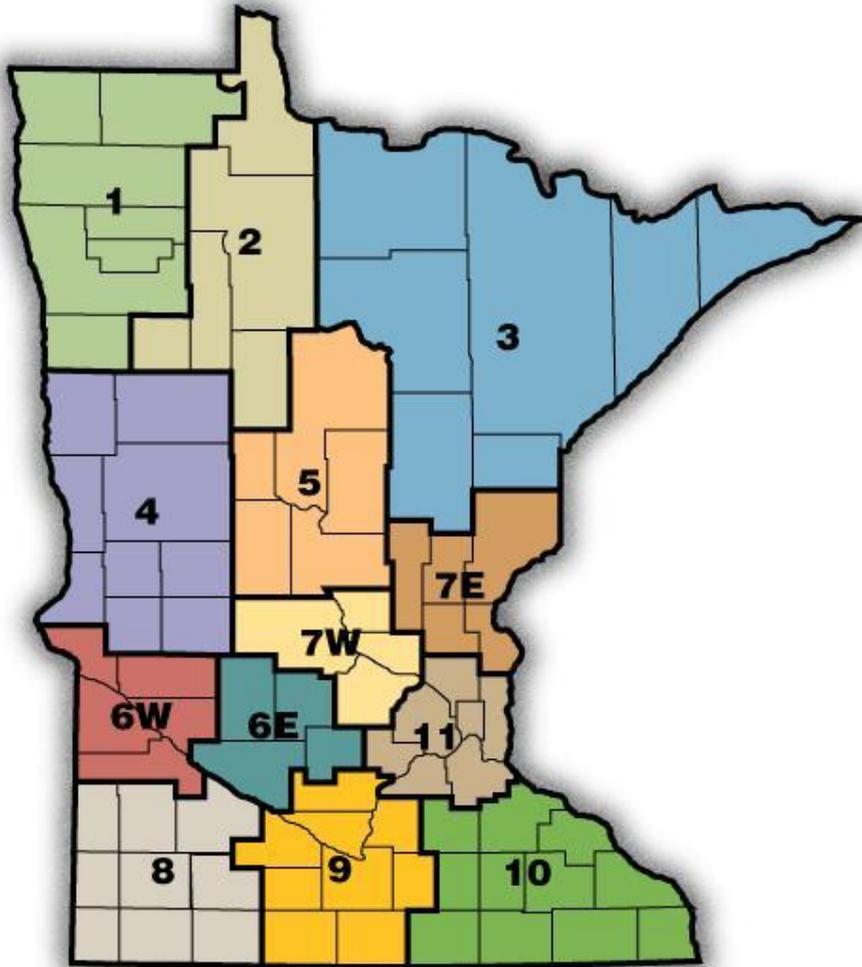
- July 2020 Preliminary Proposal available on web site
- November 17, 2020 Deadline for Preliminary Proposal
- December 18, 2020 Preliminary project competitive status provided to applicants
- February 26, 2021 Deadline for Applications
- Spring 2021 Funding Recommendations to DEED Deputy Commissioner
- 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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## Representatives

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