

# Small Cities Development Program

# 2025 Preliminary Proposal Guide

This guidance applies to all Small Cities Development Program activities.

## Timeline

September 25, 2024 – SCDP Preliminary Proposal Packet available on the [SCDP website](https://mn.gov/deed/government/financial-assistance/community-funding/small-cities.jsp)

November 27, 2024, at 4:00 PM – Preliminary Proposal Deadline

January 13, 2025 (Tentative date) – Preliminary Proposal determination provided to applicants

April 16, 2025 – Full Applications due

Spring/Summer 2025 – Funding recommendation to DEED Commissioner and grant award announcements

Summer 2025 – SCDP Implementation Workshops

## Program Goal

The goal of SCDP is to develop viable communities and provide a suitable living environment by expanding economic opportunities that principally benefit low-and-moderate income (LMI) households. The program accomplishes this goal 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:

1. An [entitlement program](https://www.hud.gov/states/minnesota/community/cdbg) that provides funding directly to urban areas.
2. A non-entitlement CDBG Program that awards funds, through a competitive process, to eligible units of local government (UGLG) as subrecipients.

The Minnesota Department of Employment and Economic Development (DEED) is responsible for administrating the CDBG program, through the Small Cities Development Program (SCDP), for non-entitlement communities, per [Minnesota Administrative Rules, Chapter 4300, Community Development Block Grants](https://www.revisor.mn.gov/rules/4300/).

## 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 LMI 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 primarily benefit LMI households;
* Develop and implement strategies, which facilitate the coordination of SCDP funding with other federal/state/local community development resources.

Community development activities must meet at least one of the following federal National Objectives, which will be identified in the application:

* Benefit to LMI persons/households.
  + LMI is defined as a household’s total income, from all members, that 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 potentially streetscapes.
* Prevent or eliminate slum and blight conditions.
  + Activities include commercial rehabilitation or streetscape.
* Urgent need
  + Alleviate urgent community development needs caused by conditions, generally as a result of a disaster such as a tornado, 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 national objective cannot be satisfied.

For more information, go to the “National Objectives for Applicants” section of the [SCDP A-Z Reference Guide](https://mn.gov/deed/assets/scdp-a-z-guide_tcm1045-255727.pdf).

## Eligibility

Eligible applicants are non-entitlement cities with a population under 50,000 and counties with a population under 200,000. A city must also not participate in a county’s CDBG entitlement program. 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 CDBG and SCDP programs.

Joint community applications are eligible. In order to apply jointly, the governing bodies of all communities applying must approve the application. **No more than three communities can comprise one application. All participating communities must meet DEED’s 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 and their administrative entities, if applicable, are subject to a capacity and performance evaluation, to ensure there is adequate capacity to complete the proposed project.

Communities with past due monetary obligations, not current on all SCDP reporting, have unresolved federal audit findings, or have unresolved SCDP monitoring findings are not eligible to submit a Preliminary Proposal or Full 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 Full Application.

## Types of applications

There are two different types of applications, described below.

### Single Purpose Application

Single Purpose Application is used for housing projects, which include one or more housing activities designed to increase the quality of dwellings suited for the occupancy of LMI individuals and families. An example is an owner-occupied rehabilitation program.

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.

SCDP funding requested for a Single Purpose Applications cannot exceed $600,000, including administrative expenses.

### Comprehensive Application

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 that will address community development needs. An example of this is an application consisting of an owner-occupied rehabilitation program and a commercial building rehabilitation program.

For multi-community applications, each communities 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.

SCDP funding requested for a Comprehensive Applications cannot exceed $1.4 million and each activity within the application cannot exceed $600,000, including administrative expenses.

## Funding

SCDP funding can only be awarded to an UGLG. DEED provides funds to UGLG’s in the form of a grant. The grant is provided to the grantee on a cost reimbursement basis. Except for public facilities, awarded grantees have the ability to administer those funds in the form of deferred loans, and/or installment loans to eligible applicants. Financing terms for these funds must be specified within the application.

Funding is made available annually through an allocation from HUD with the total amount of available funding varying each year. It is DEED’s intention to award SCDP funds in accordance with 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, which is awarded through the Minnesota Investment Fund Program (MIF).

The Commissioner of DEED may modify allocation percentages if it is determined that there is a shortage of competitive applications in any category. At least 70% of the annual SCDP allocation must be awarded to activities that meet a LMI national 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. SCDP Staff will update the [SCDP website](https://mn.gov/deed/government/financial-assistance/community-funding/small-cities.jsp) if additional SCDP funding becomes available to address an Urgent Community Development need.

### Eligible use of Funds

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

* Housing rehabilitation:
  + Owner-occupied housing
  + Rental housing (single family, duplex, mixed-use and multi-family)
* Commercial building rehabilitation
* Public facility improvements such as:
  + Water systems (water lines, water tower, and water treatment plants)
  + Sewer systems (wastewater lines, ponds, and treatment plants)
  + Drainage facility construction or improvements
* Community center/facility rehabilitation
* Streetscape
* Public aesthetic amenities
* Assessment abatement (restricted to households at 50% or lower of county median income)
* 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 SCDP Preliminary Proposal – Application process is designed to ensure that the limited amount of SCDP funds is awarded to communities that, at a minimum:

* Meet a National Objective with an eligible activity;
* Demonstrate a significant project need, impact, and cost effectiveness; and
* Document a strong degree of readiness for the activity to proceed

The application process for SCDP funding consists of a Preliminary Proposal and a Full Application phase. The first phase is the submission of a Preliminary Proposal. The Preliminary Proposal will provide initial information on the proposed grant activities. If the proposed grant is deemed eligible and competitive or marginally competitive, the applicant will be invited to submit a Full Application.

A Full Application is the second phase of the application process and it provides additional detail on the proposed grant activities and includes the submission of required documentation (example: resolution to submit an application). SCDP grant awards will be determined based on the Full Application.

### Significant Need, Impact and Cost Effectiveness

There will be places in each Preliminary Proposal/Full Application that explain these items in further detail. Applicants that move to the Full Application phase will be scored in these three areas.

### Readiness

Only complete Preliminary Proposals/Full Applications should be submitted. If during the review processes, the SCDP Unit determines more information is needed or items are missing from the Preliminary Proposal or Full Application, a SCDP Representative will contact the applicant to correct the deficiency within a stated amount of time. If the Preliminary Proposal/Full Application is not corrected, then the Preliminary Proposal/Full Application will be disqualified from further review.

Applicants must use the Preliminary Proposal and Full Application templates provided on the SCDP website. Applicants may submit additional documentation that is not listed in the Preliminary Proposal or Full Application packet, such as correspondence expressing support, interest statements, pictures, etc.

Responses to the questions should be clear and concise. SCDP staff will review the Preliminary Proposals in the areas of Need, Impact, Cost Effectiveness, and Demographics, pursuant to the Minnesota Administrative Rules, to determine if the applicant will be invited back to submit a Full Application.

You can find additional program and reporting requirements in the [SCDP A to Z Reference Guide](https://mn.gov/deed/assets/scdp-a-z-guide_tcm1045-255727.pdf).

### Conflict of Interest

A conflict-of-interest form for the applicant, partner communities and administrating entity (if applicable) must be completed and attached to the Full Application.

### Contracting for Professional Services

Federal procurement standards apply to SCDP funded projects. This includes the selection of for-profit administrative entities, including engineering services, if applicants choose to work with this type of administrative entity. The grantee and the administrative entity must enter into a written agreement, which must remain in effect during the entire time that the administrator has a role with SCDP funds, including Program Income (see next section). Written agreements must follow federal, state, or local procurement requirements, whichever is more stringent.

### Program Income

Applicants who were awarded a past SCDP grant or were a partner community to a past SCDP grant should determine if they hold any SCDP Program Income. Program Income occurs when an applicant receives $35,000 or more of repaid SCDP funds, such as a sale of a home, during a federal fiscal year (October 1st – September 30th). Program Income is considered federal dollars and must adhere to SCDP requirements.

If an applicant has Program Income and the Program Income has not been allocated to be used in an eligible, ongoing project, the Program Income must be included as a source of funding in the Preliminary Proposal and Full Application. Applicants awarded a SCDP grant will need to utilize the Program Income funds prior to disbursement of SCDP funds.

### Unallowable Expenses

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

### Environmental Review

Grantees are ultimately responsible for compliance with the SCDP Grant Contract Agreement and environmental review requirements. If awarded a grant, SCDP staff will provide additional information on these requirements and training.

### Internal Controls

Grantees must establish and maintain effective internal control over all subrecipients, including administrators, throughout the project in order to determine if this threshold has been met or exceeded. Internal controls will also provide reasonable assurances that the grantee is managing subrecipients, if used, in compliance with federal statutes, regulations, and the terms of the conditions of a grant award.

## Technical Assistance

Prior to the Preliminary Proposal and Full Application deadlines, SCDP staff are available to provide technical assistance to questions regarding the application, program regulations, and program terms. You should direct these questions to the assigned [SCDP representative](https://mn.gov/deed/government/financial-assistance/community-funding/small-cities.jsp#7) for the project region.

## Award Announcement Process

SCDP will announce the notice of funding awards through the SCDP website. Both awarded and non-awarded applicants will be notified of the decisions.

## Preliminary Proposal Submission Information

The first phase of the application process for SCDP funding is the submission of a Preliminary Proposal.

Eligible applicants must submit one original and one copy of the Preliminary Proposal to the address listed below. The original and copy must be printed in color. SCDP staff will review and evaluate all received Preliminary Proposals to determine which projects are eligible and how competitive eligible projects would be in the Full Application phase.

**For courier or U.S. Mail delivery** prior to the due date of November 27, 2024, proposals must be sent to:

Minnesota Department of Employment and Economic Development

Great Northern Building

180 E 5th Street, Suite 1200

St. Paul, MN 55101

Attn. Natasha Kukowski, Community Finance Division - Small Cities Development Program Unit

**Preliminary Proposal Due Day Note**: Proposals may be dropped off in person only on November 27, 2024, between the hours of 8:00 a.m. and 4:00 p.m. at the Great Northern Building located at 180 E 5th St., St. Paul, MN. Please enter from the 5th Street Entrance and take the elevator to the 12th floor. A cart will be located in the 12th floor elevator lobby only on November 27, 2024.

Preliminary Proposals must be received by DEED on or before 4:00 pm on Wednesday, November 27, 2024. Faxed or emailed proposals will not be accepted.

Please email Natasha Kukowski at [natasha.kukowski@state.mn.us](mailto:natasha.kukowski@state.mn.us) to confirm your Preliminary Proposal had been received.

Only communities with Preliminary Proposals deemed ‘competitive’ or ‘marginally competitive’ will be permitted to submit a Full Application.

If SCDP deems a Preliminary Proposal ‘not competitive’, technical assistance from SCDP staff will be available for future submissions after the award announcement.