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SMALL CITIES DEVELOPMENT GRANT PROGRAM

How It Works

This program provides federal grants from the U.S. Department of Housing & Urban Development (HUD) to local units of government on a competitive basis for a variety of community development projects. In Minnesota, the program is delivered through the Department of Employment & Economic Development (DEED).

Eligible Applicants

Who can apply? Cities and townships with populations under 50,000 and counties with populations under 200,000. Indian tribal governments, which can receive funds directly from HUD, are not eligible for this program.

Minimum Requirements

Proposed projects must meet one of three national objectives:

1. Benefit to low-and-moderate income persons; or,
2. Elimination of slum and blight conditions; or,
3. Elimination of an urgent threat to public health or safety.

In addition, proposed project activities must be eligible for funding, project need must be documented, and the general public must be involved in the application preparation.

Eligible Projects

Rules for the program in Minnesota subdivide grant funds into three general categories:

1. **Housing Grants.** Small Cities Development Program (SCDP) funds are granted to a local government which, in turn, makes funds available for the purpose of rehabilitating local housing stock. Funds may be used for owner-occupied, rental, single-family or multiple family housing rehabilitation and repair. Financing agreements may allow for deferred payments or immediate monthly payments. Interest rates may vary, and loan repayments are retained by grantees for the purpose of making additional rehabilitation loans. SCDP funds may also be used to assist new housing construction projects. Funds may also be used for land acquisition, site improvements, infrastructure or housing unit construction. In all cases, housing funds must benefit low-and-moderate income persons.

2. **Public Facility Grants.** SCDP funds are granted for wastewater treatment projects, including collection systems and treatment plants; fresh water projects, including wells, water towers, and distribution systems; storm sewer projects; flood control projects; and street projects.
3. **Comprehensive Grants.** Comprehensive projects frequently include housing and public facility activities described above. In addition, comprehensive projects may include an economic development activity, which consists of loans from the grant recipient to businesses for building renovation/construction, purchase of equipment, or working capital. The most common economic development activity is rehabilitation of local commercial districts.

Maximum Available

The maximum grant award for a Public Facility or Housing project is \$600,000. The maximum grant for a Comprehensive project is \$1.4 million.

Competitiveness Issues

The Small Cities grant program is highly competitive. In the FY'2007 funding round, for example, DEED invited 44 out of 87 pre-applicants to submit final grant applications. 40 out of those 44 final applications were approved. 21 out of the 44 full applications were joint applications among multiple communities, townships, or a county.

In order for an application to compete well, it's important to address several issues:

1. **Need.** Is there a serious and significant need for the activities proposed in the application? What problems need to be corrected? Can the need be well-documented?
2. **Impact.** How well do the activities proposed in the application correct the problems or meet the needs that are present?
3. **Cost-Effectiveness.** Are other funding sources being tapped? To what extent are other funds (local, other agencies, etc.) also participating in the project? How much financial capacity exists to support the project locally?
4. **Timing.** Is the project virtually "ready to go?" Does more background work (engineering, etc.) need to be done? Is the application premature?

Timetable

The Small Cities program grant program has undergone major changes over the last year. Chief among these is a two-stage pre-application and final application process. Pre-applications are due by October 4, 2007, with final applications due by January 31, 2008. Once funded, a project typically lasts about two years, depending on its size and complexity.

The above description is adapted from the Minnesota Department of Employment & Economic Development's web site. For more information, visit DEED at...

www.deed.state.mn.us