



# Community Development Committee

Information Item

Item: 2008-3

Meeting date: March 17, 2008

ADVISORY INFORMATION	
<b>Date:</b>	March 12, 2008
<b>Subject:</b>	<i>Draft 2008 Livable Communities Fund Distribution Plan</i>
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	Minnesota Statutes Section 473.25
<b>Staff Prepared/Presented:</b>	Guy Peterson, Community Development Director, 651.602.1418 Paul Burns, Livable Communities Program Manager, 651.602.1106
<b>Division/Department:</b>	Community Development/Livable Communities

## Proposed Action

None. This is an informational item. Staff will review the elements included in the attached *Draft 2008 Annual LCA Fund Distribution Plan*, which establishes the amount of funding that will be available for grant awards from each of the LCA Fund accounts during 2008, sets the calendar for the grants making processes, and sets forth the criteria upon which grant awards will be based.

The proposed action/motion by the CDC is scheduled for April 7, 2008, with Council action on April 9, 2008.

## Background

The Tax Base Revitalization Account (TBRA) section of the draft Plan includes one change to the eligibility scoring process, as well as some clarifications to the eligibility criteria.

Scoring Change:

- A proposal must receive a minimum score of 40% of the total possible points (at least 54 points) to be eligible for funding.

Eligibility Criteria Clarifications:

- Applications with eligible cleanup costs equal to one percent or less than the total project costs are ineligible for funding (the “but for” criteria).
- Costs for contamination cleanup incurred prior to the date of application are not eligible unless the applicant has previously been awarded TBRA cleanup funding for the same redevelopment project and the costs are expressly authorized by the Council.

The draft Plan includes the changes to the Livable Communities Demonstration Account (LCDA) program recommended by the LCDA Work Group. The three categories of change are to:

1. More deeply integrate applicable state policies into the LCDA process. The draft references policies and initiatives of Minnesota Housing, MnDOT, Departments of Commerce and Administration, Human Services, Natural Resources, and the Minnesota Pollution Control Agency.
2. Give bonus points to projects located within one half-mile of transit stations and stops on transitways and express bus commuter system corridors identified in the *2030 Transitway System*.
3. Incorporate the Minnesota Sustainable Building Guidelines to encourage more sustainable development practices in the evaluation of funding proposals.

The LCDA Work Group also recommended that \$4 million in 2008 LCDA funds be set aside for a one-time allocation to a new affordable housing land acquisition loan program. The funding criteria and calendar for that program are not a part of this LCA Fund Distribution Plan. LCA staff is working with Minnesota Housing in the development of this program for implementation in 2008 or 2009.

The Committee recently heard an overview of the Local Housing Incentives Account (LHIA). The draft Distribution Plan does not contain any significant changes to this program from last year, however, new to the evaluation process this year is the inclusion of the Minnesota Overlay to the Green Communities Criteria that applicants will need to address in order to be considered for LHIA funding. (More information about this criteria is contained in the draft Plan.)

## **Rationale**

## **Funding**

The annual Fund Distribution Plan for 2008 is presently estimated to include:

- \$7.9 million in the Tax Base Revitalization Account (**TBRA**),
- \$7.0 million in the Livable Communities Demonstration Account (**LCDA**) and
- \$1.6 million in the Local Housing Incentives Account (**LHIA**)

An additional \$4.0 million from the LCDA account has been reserved for the affordable housing land acquisition loan program efforts.

## **Known Support / Opposition**

None

Draft 2008  
Annual Livable Communities  
Fund Distribution Plan

**March 17, 2008**

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## Background

The Livable Communities Act, *Minnesota Statutes 2002, Chapter 473.25*, creates the Livable Communities Fund, consisting of four accounts:

- The **Tax Base Revitalization Account (TBRA)** helps clean up contaminated urban land and buildings for subsequent development in order to provide the highest return in public benefit for public costs incurred, restore tax base, and create and retain jobs and/or affordable housing.
- The **Livable Communities Demonstration Account (LCDA)** funds development and redevelopment projects that achieve development patterns that link housing, jobs and services, and that use infrastructure and regional facilities efficiently.
- The **Local Housing Incentives Account (LHIA)** helps expand and preserve lifecycle and affordable rental and ownership housing.
- A fourth account, the **Inclusionary Housing Account (IHA)**, was funded in 1999 by a one-time legislative appropriation to support affordable housing developments in which the reduction of local controls and regulations resulted in reduced development costs. Eleven grants totaling \$4.2 million were awarded to eight communities from those funds in 2000. Interest accrued from 2000 to 2003 on funds held in the Inclusionary Housing Account prior to communities requesting payment of their grant awards; those interest dollars were awarded through a final round of IHA grants during 2004. The account was closed to further interest accrual effective January 1, 2004.

The Livable Communities Act establishes the funding sources for each of the active accounts:

- TBRA has the same amount available each year: a levy capped at \$5,000,000.
- LCDA also is funded by a levy. The amount levied for 2008 is \$8,184,070.
- LHIA funding comes from \$500,000 transferred from the LCDA levy, plus \$1,000,000 annually from the Council's general fund.

The amount available for distribution each year is greater than these legislatively authorized amounts.

The additional funds come from two sources:

- Balances from grant projects either completed the previous year with remaining unexpended funds, or relinquished by grantees for projects where a change in circumstances resulted in the inability to proceed with a project; and
- Interest credited to each account during the previous year.

Minnesota Statutes 473.25 states, "The council shall prepare an annual plan for distribution of the fund based on the criteria for project and applicant selection." The *2008 Annual Livable Communities Fund Distribution Plan* is the thirteenth fund distribution plan prepared for the Livable Communities Fund.

The dollar amounts set in the fund distribution plan are the base amounts for grants to be awarded during 2008. If significant additional monies accrue to any account during 2008 due to the recovery of

unexpended or relinquished funds, those additional dollars may be included in the amount of money available for distribution during the fall round of grant awards for that particular account or carried forward to the 2009 fund distribution plan.

## 2008 Funds Available for Grant Awards

The annual fund distribution plan for 2008 is presently estimated to include:

- \$7.9 million in the Tax Base Revitalization Account (**TBRA**),
- \$11.0 million in the Livable Communities Demonstration Account (**LCDA**), and
- \$1.6 million in the Local Housing Incentives Account (**LHIA**)

The following sections of this document provide the “criteria for project and applicant selection” for the three Livable Communities Fund accounts. A funding round schedule for each account is also included.

DRAFT

# Tax Base Revitalization Account

2008

Funding Schedule  
Funding Criteria  
And  
Selection Process

# Tax Base Revitalization Account 2008 Funding Schedule

## 2008 Available Funding: \$7.9 Million

### Round 1 (Spring)

Date	Activity
February 15	Issue request for proposals
March 3	Grant Applicant Workshop -- held jointly with Department of Employment and Economic Development (DEED) and other public cleanup funding agencies.
May 1	Applications Due
May 1 -- June 13	Application review -- coordinate evaluation and funding recommendations with DEED, the MPCA, the Department of Health, Hennepin County, Ramsey County, and others as appropriate.
June 16	Community Development Committee recommends grant awards
June 25	Metropolitan Council awards grants

### ROUND 2 (Fall)

Date	Activity
August 15	Issue request for proposals
August (date to be determined)	Grant Applicant Workshop -- held jointly with DEED and other public cleanup funding agencies.
November 1	Applications Due
November 1 -- December 12	Application review -- coordinate evaluation and funding recommendations with DEED, the MPCA, the Department of Commerce, the Department of Agriculture, the Department of Health, Hennepin County, Ramsey County, and others as appropriate.
December 15	Community Development Committee recommends grant awards
1 <sup>st</sup> Council meeting in January	Metropolitan Council awards grants



# Tax Base Revitalization Account Funding Criteria and Selection Process

## Section 1: BACKGROUND AND PURPOSE

The Metropolitan Livable Communities Act (MN Statutes Chapter 473.252) creates the *Tax Base Revitalization Account* (TBRA). The Tax Base Revitalization Account provides funds to clean up contaminated land in areas that have lost commercial/industrial activity to make it available for economic redevelopment, job retention or job growth, or the production of affordable housing to enhance the tax base of the recipient municipality. TBRA funds, raised by a legislatively authorized levy capped at \$5 million, will be available annually with applications accepted twice each year (the first regular business day on or after May 1 and November 1). The Account is coordinated with complementary programs at the MN Pollution Control Agency (MPCA), MN Department of Employment and Economic Development (DEED), Hennepin County and Ramsey County.

## Section 2: ELIGIBLE APPLICANTS

The following are eligible to apply: statutory or home rule charter cities or towns that are *participating in the Metropolitan Livable Communities Housing Incentives Program*; metropolitan counties and development authorities (e.g., Housing and Redevelopment Authority, Economic Development Authority or Port Authority).

## Section 3: ELIGIBLE USE OF FUNDS

Eligible expenditures include Phase I and Phase II investigations, preparation and implementation of approved Response Action Plans (RAPs) developed in conjunction with the MPCA for soil or ground water contamination or hazardous waste that meet the requirements for the Voluntary Investigation and Cleanup (VIC) Program, and/or the Petroleum Remediation Program (PRP) at MPCA. Eligible expenditures also include hazardous materials surveys for asbestos and or lead-based paint that meet the requirements for Asbestos Hazard Emergency Response Act (AHERA) standards for asbestos and applicable federal and state laws, rules and standards governing lead abatement. The funds may be used, consistent with DEED guidelines, to provide up to 13% the investigation/clean up cost as a local match required for a grant from DEED's Contamination Cleanup Grant Program. Costs for investigating the extent and/or nature of contamination are only eligible if a cleanup or abatement is required and if incurred within 180 days of the deadline of the TBRA grant funding cycle. Costs for contamination cleanup incurred prior to the date of application are not eligible unless the applicant has previously been awarded cleanup funding for the same redevelopment project and the costs are expressly authorized by the Council. In order for contamination cleanup activities incurred prior to the TBRA funding award date to be considered eligible for funding applicants must meet the following four conditions:

- A. The cleanup work for which funding is being requested must have been done no earlier than **180 days** before the TBRA application deadline (November 1<sup>st</sup> or May 1<sup>st</sup>)
- B. For soil and ground water remediation work the MPCA must have approved a RAP for the project **prior** to commencing work; for asbestos abatement a Minnesota Department of Health (MDH) licensed inspector/contractor must have completed an asbestos evaluation and plan according to AHERA standards; for lead-based paint abatement an MDH licensed

inspector/contractor must have completed a lead-based paint evaluation according to MDH standards

- C. The applicant must have contacted the Metropolitan Council TBRA staff **prior** to commencing any cleanup work. A site visit with the applicant and TBRA staff is recommended to ensure a clear understanding of the project and the proposed remediation.
- D. **Before** starting the cleanup work the applicant must provide a letter to the Council TBRA staff that explains why the applicant needs to commence the cleanup work prior to the TBRA application deadline and states:
  - (1) The applicant is going to start project cleanup work before the next TBRA application deadline; and the applicant has the appropriate approvals (see B above).
  - (2) The applicant understands that while this notification process makes the work done after the Council receives the letter eligible for consideration in the next TBRA grant round, it DOES NOT commit the Council to funding the project.

Costs not related to clean up are not eligible expenditures under this program except when they meet DEED eligibility requirements and are used to match up to 13% of the DEED approved funding. Costs incurred to prepare or submit applications are ineligible.

If the proposed redevelopment activities include a residential component, a portion of this housing is required to be affordable. For purposes of this application cycle, ownership units are considered affordable if they can be purchased by buyers earning 80% of the area median income (AMI). Affordable rental units are those renting at the Low-Income Housing Tax Credit rent limits based on 50% of the AMI.

#### **Section 4: EMINENT DOMAIN**

No applicant for a Metropolitan Council Livable Communities Act (LCA) grant shall be eligible for LCA grant funds from the Metropolitan Council if the project for which an LCA grant is requested requires the exercise of eminent domain authority over private property for purposes of *economic development* as defined by Council policy. The policy is available online at: <http://www.metrocouncil.org/services/livcomm/EminentDomainPolicy.htm> . The policy states that the prohibition regarding the use of eminent domain does not include “acquiring private property to remediate or clean up pollution or contamination that threatens or may threaten public health or safety or the environment, if the Applicant certifies: (i) the property owner is unable or unwilling to pay for appropriate remediation or clean up; (ii) remediation or clean up must occur expeditiously to eliminate or mitigate the threat to public health or safety or the environment; and (iii) no Responsible Party has been identified or is financially capable or carrying out the remediation or clean up.” “[A]cquiring abandoned property or acquiring “blighted” property as that term “blighted” is defined and used in Minnesota Statutes chapter 469 also is an exception to the eminent domain policy.

#### **Section 5: AWARDING GRANTS/COMPETITIVE PROCESS**

The Metropolitan Council is required to consider certain factors in order to ensure the highest return in public benefits for the public costs incurred. In order to compare and evaluate applications, the following criteria will be assigned point values to rank each applicant’s proposal against the others in the grant cycle. Consultation with Council staff and external partners, including DEED, MPCA, the

MN Department of Commerce, and—when applicable—others, informs the process of evaluating applications. Applications may be submitted for more money than is expected to be available in a grant cycle. Such applications will be considered for their maximum eligibility in successive grant cycles upon re-application based on the cumulative amount of funding awarded or recommended, provided there is a commitment for each applicable grant cycle to complete the clean-up and proceed with redevelopment. Such commitments to proceed must not be contingent on subsequent awards of clean-up funding. Applications will be ranked according to the extent to which they address the following:

**Tax Base (25 points)**

- Increase the tax base of the recipient municipality—up to 20 points.
- Projects not in a TIF (Tax increment Finance) district earn 5 points because all the affected tax jurisdictions benefit immediately.

**Jobs and/or affordable housing (25 points)**

- Increase the number of jobs for the region—up to 10 points.
- Retain existing jobs—up to 5 points.
- Preserve and/or increase living wage jobs (\$12.50/hour for purpose of this application)—up to 5 points.
- Increase living wage jobs in/near areas of concentrated poverty and demonstrate linkages between jobs and housing for local residents—5 points.
- Projects with a residential component are eligible to receive points based on the number of affordable housing units provided. Affordable housing is defined as ownership housing affordable to households at 80% or less of area median income (AMI) or rental housing units affordable to households at 50% or less of AMI, with rent limits dependent on the bedroom size of the units. 0 to 25 points.

**Brownfield clean up/environmental health improvements (25 points)**

- Clean up the most contaminated sites to provide the greatest improvement in the environment and the greatest reduction in human health risk—0 to 20 points.
- Clean up sources of contamination that affect groundwater quality—0 to 5 points.

**Framework 2030 Implementation/Regional System support (25 points)**

Show how the project supports Framework 2030 goals to:

- Accommodate growth—0 to 10 points.
- Promote multi-modal transportation options—0 to 2 points.
- Provide housing choices—0 to 2 points.
- Conserve vital natural resources—0 to 2 points.

Show how the project is integrated with Regional Systems:

- Environmental Services—0 to 3 points.
- Transportation—0 to 3 points.
- Regional Parks—0 to 3 points.

**Readiness/Market demand (10 points)**

- Demonstrate readiness to proceed with project site clean up—0 to 5 points.
- Demonstrate market demand for proposed redevelop elements in the project area and demonstrate readiness to promptly implement proposed project if /when TBRA funding is provided, including identifying an end stage developer and any non-residential tenants—0 to 5 points.

**Partnership (5 points)**

- Represent innovative partnerships among various levels of government, private for-profit and non-profit sectors—0 to 5 points.

**Efficiency - Life cycle cost/benefits (5 points)**

Demonstrate efficiencies in the project including reduced life cycle costs. The State of Minnesota's B-3 (Buildings, Benchmarks and Beyond) guidelines provide information on evaluating and implementing efficiency and conservation efforts:

- For buildings, demonstrate the use of efficient and non-toxic materials and construction methods; reuse/ recycle/renovate existing buildings, including historic components—0 to 2 points.
- For project operations, show how the project conserves energy, water and other natural resources, reduces waste and provides cleaner air—0 to 2 points.
- For the project site, show the use conservation-oriented site design—0 or 1 point.

**Supplemental Funding (5 points)**

- Only for projects for which the grantee: has an active TBRA grant that has not expired; has encountered unanticipated contamination as a result of implementing a PCA approved RAP; or, when implementing the PCA approved RAP, encounters significantly higher quantities of contamination than estimated in the investigation—0 to 5 points.

All previous TBRA grant funds awarded for the project are included with the supplemental request in evaluating the cost effectiveness of the application.

**Community's annual housing performance score (10 points)**

- The housing performance score of the community hosting the TBRA project, as determined by the Metropolitan Council, is part of the project evaluation.

Applications will be determined ineligible for funding if:

- an analysis of the proposal determines the funding is not needed in order for the project to proceed;
- eligible cleanup costs are equal to one percent or less (1%) than the total project costs; or
- upon review the application does not score at least 40% (54 points) of the total points available (135 points)

Applications may be determined ineligible for funding if:

- clean-up funding is available from other public and private sources;

- the project requires extensive new regional infrastructure beyond that which is already planned; or
- the proposal is not consistent with the municipality's comprehensive plan (Minn. Stat. section 473.859, Subd. 5)

If applications for grants exceed the available funds for an application cycle no more than one-half of the funds may be granted to projects in a single city, and no more than three-quarters of the funds may be granted to projects located in cities of the first class (Minneapolis and St. Paul.)

## **Section 6: LOCAL SUPPORT**

Any proposal for funds under this program must include a resolution of support from the local unit of government within which the project is proposed.

## **Section 7: REPORTING REQUIREMENTS**

**Recipients of Tax Base Revitalization Account grants must submit a report to the Metropolitan Council at the closure of the grant and for up to four years annually thereafter, stating: (1) the site redevelopment activities completed the previous calendar year, (2) the net tax capacity and the total property taxes paid on this parcel (land and buildings) for the preceding year, and (3) the percentage of full-time equivalent jobs on the site at the end of the previous year that are at or above a living wage. For purposes of the 2008 application, a living wage is \$1.50 per hour/\$26,000 per year.**

## **Section 8: PROCEDURES**

Applicants may write or call to request application packets from the Metropolitan Council, 390 North Robert Street, St. Paul, MN 55101. Application materials are also available on-line in the *Planning+Development* section under the Livable Communities Grant Program heading at <http://www.metrocouncil.org/index.htm> . Any questions should be directed to the TBRA grant program coordinator at 651-602-1054. This Notice of Funding Availability is subject to applicable federal, state, and municipal laws, rules and regulations.

The Metropolitan Council reserves the right to modify or withdraw this Notice of Funding Availability at any time. **Applicants required to have a Response Action Plan (RAP) approved by the MPCA should submit the required reports to the Voluntary Investigation Cleanup Program or the Voluntary Petroleum Investigation Cleanup Program a minimum of 45 days prior to the Metropolitan Council application deadline.** The MPCA requires this much lead-time to assure a review of the RAP.

## **Section 9: APPLICATION FORMAT**

An original and two copies of the application information including a RAP and/or hazardous materials survey must be submitted by the grant application deadline. If funds are requested as part of the match to a DEED request, follow the Alternate Process for Joint Applications with the Department of Employment and Economic Development found in Section 11 of the TBRA application information.

## **Section 10: MODEL EXAMPLES**

A sample clean-up budget showing eligible expenditures and a sample resolution authorizing submission of the grant application are provided with the application form. These examples may be modified to fit applicant needs and project goals.

## **Section 11: ALTERNATE PROCESS FOR JOINT APPLICATIONS WITH THE DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT**

The standard Metropolitan Council application form is not necessary for joint applications in which the Council is asked to match Department of Employment and Economic Development (DEED) funding. Instead, submit two copies of the DEED application and the MPCA response action plan and the alternate form starting in Section 11 of the Metropolitan Council Tax Base Revitalization Account Application. The DEED attachments documenting appraisals need not be included.

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# Livable Communities Demonstration Account

2008

Funding Schedule  
Funding Criteria  
and  
Selection Process

## Livable Communities Demonstration Account 2008

### 2008 Available Funding: \$11 Million

#### Available 2008 Funding for LCDA Demonstration Grants: \$7 Million

Date	Key Dates and Process for Awarding Demonstration Grants
April 9	Metropolitan Council <b>adopts program calendar, available funding and criteria.</b>
April 10	<b>Post grant schedule, funding criteria and application form</b> on <a href="http://www.metrocouncil.org">www.metrocouncil.org</a> ; send e-mail notifying LCA-participating city contacts that these materials are available.
April 22 and 24 (tentative)	<b>Hold workshops</b> for interested applicants (choice of date and location)
June 16	<b>Pre-application due</b> – a short pre-application must be submitted for each application that will be submitted on July 21
July 21	<b>Applications due</b> , including local resolution of support – no application can be accepted if a pre-application for the proposal was not received on or before June 16.
July – August	Staff conducts <b>technical review of proposals and Step 1 evaluation process</b>
September to November	Livable Communities Advisory Committee conducts <b>Step 2 evaluation process and selection process; recommends funding awards.</b>
November 17	<b>Funding recommendations presented</b> to Community Development Committee
December 1	<b>Community Development Committee recommends grant awards</b>
December 10	<b>Metropolitan Council awards grants</b>

#### Available 2008 funding for affordable housing land acquisition loan fund: \$4 Million

In coordination with Minnesota Housing, the Council will undertake an affordable housing land acquisition loan fund effort that will enable applicants (municipalities or their development entities) to purchase land to be held for future affordable housing development. This fund will enable applicants to take advantage of current land prices to acquire parcels that will help them meet affordable housing goals. The program will be implemented in either 2008 or 2009.



# Livable Communities Demonstration Account Funding Criteria and Selection Process

**Funding Available in 2008: \$7 Million for Demonstration Grants**

**Note: Underlined elements are new for 2008.**

## **Section 1: LEGISLATIVE AUTHORITY AND PURPOSE**

The Livable Communities Demonstration Account was established by the Livable Communities Act (LCA), Minnesota Statutes section 473.25(b). The Demonstration Account provides funds to development or redevelopment projects that connect development with transit, intensify land uses, connect housing and employment, provide a mix of housing affordability, and/or provide infrastructure to connect communities and attract investment. As the name of the account suggests, Demonstration Account funds are intended to be used for projects that demonstrate innovative and new ways to achieve and implement these statutory objectives, not merely to fill project funding needs.

## **Section 2: ELIGIBLE APPLICANTS**

Application is open to cities participating in the Metropolitan Livable Communities Housing Incentives Program, on behalf of proposals in their communities; metropolitan-area counties or development authorities (e.g., housing and development authorities, economic development authorities, port authorities) on behalf of projects located in LCA participant communities.

## **Section 3: FUNDING GOALS**

The legislative objectives are supported by the *2030 Regional Development Framework* policies. LCDA funding will support projects that demonstrate innovative ways of meeting *Framework* goals and strategies to achieve connected, efficient land-use patterns in communities throughout the region:

- Develop land uses in centers linked to the local and regional transportation systems.
- Efficiently connect housing, jobs, retail centers and civic uses.
- Develop a range of housing densities, types and costs.
- Conserve, protect and enhance natural resources by means of development that is sensitive to the environment.

In Developed Communities, the emphasis of these goals will be consistent with *Framework* direction on maintaining and improving infrastructure, buildings and land to provide developments that integrate land uses.

Projects in Developing Communities will be focused on accommodating growth by means of connected development patterns for new development, supporting activity centers along corridors that encourage the development of communities where shopping, jobs and a variety of housing choices co-exist by design.

#### **Section 4: PARTNERSHIPS AND COORDINATION**

Applications for Livable Communities Demonstration Account development grants are reviewed by the 13-member Livable Communities Advisory Committee (LCAC), which makes funding recommendations to the Metropolitan Council. The committee includes members representing six areas of expertise to provide the range of skills and experience important for evaluating the complex development and redevelopment projects for which LCDA funding is requested. Areas of expertise (for which there are two members each) are: local government (planning, economic or community development); development finance (one private finance, one public finance); development (one new development, one redevelopment); transportation; environment; and site design. The advisory committee chair, not representing a specific expertise area, is the 13<sup>th</sup> member. The LCAC membership roster is at [www.metrocouncil.org](http://www.metrocouncil.org).

The application and evaluation process reflects efforts to acknowledge or strengthen the coordination of activities and projects seeking LCDA funding with several state policies and initiatives implemented by state agencies:

- Support strategies to provide a continuum of affordable housing (Minnesota Housing).
- Support Green Communities Criteria for building affordable housing (Minnesota Housing).
- Recognize the potential benefit of major state transportation investments (Minnesota Department of Transportation).
- Support access management to maintain a safe flow of traffic while accommodating access needs of adjacent development (Minnesota Department of Transportation).
- Integrate the Minnesota Sustainable Building Guidelines to encourage more sustainable building practices (Administration and Commerce Departments).
- Acknowledge that LCDA land use goals complement and help further Project 2030, an initiative that identifies impact of the aging of the baby boom generation (Department of Human Services).
- Acknowledge that the NRI/A, a region-wide database and series of maps that records information about land and water resources developed by the Department of Natural Resources and the Metropolitan Council, is an important tool in planning funding proposals in proximity to areas that should be protected.
- Maintain a strong relationship of Metropolitan Council and Pollution Control Agency policies, implementation and staff coordination in evaluating funding proposals.

#### **Section 5: PROJECT ELIGIBILITY CRITERIA**

1. The proposal involves new development, redevelopment or infill development addressing the program goals. Proposals involving rehabilitation are eligible when the project has other components that address one or more of the program goals.

2. Proposed project is located within the Council-identified developed area, developing area or a rural growth center (urbanized area).
3. Proposed project is consistent with the local comprehensive plan that has been reviewed by the Metropolitan Council or will be made consistent; and is consistent with any area, neighborhood, corridor or other local plan adopted by the municipality in which the project is located.
4. The proposed project helps achieve one or more of the affordable and life cycle housing goals adopted by the applicant city (or the city in which the project is located if the applicant is a county or county development authority) under the Local Housing Incentives program of the Livable Communities Act.
5. A local resolution from the applicant city, county or development authority 1) authorizing the application for grant funds; 2) identifying the need for LCDA funding, 3) prioritizing applications if the applicant is submitting more than one application; and 4) representing that the applicant has undertaken reasonable and good faith efforts to procure funding for the project components for which LCDA funding is sought, including reasons and supporting facts, is received by July 21, 2008.
6. The application is complete.

#### **Section 6: EMINENT DOMAIN**

No applicant for a Metropolitan Council Livable Communities Act (LCA) grant shall be eligible for LCA grant funds from the Metropolitan Council if the project for which an LCA grant is requested requires the exercise of eminent domain authority over private property for purposes of *economic development* as defined by Council policy. The policy is available online at: <http://www.metrocouncil.org/services/livcomm/EminentDomainPolicy.htm>. The policy states that the prohibition regarding the use of eminent domain does not include “acquiring private property to remediate or clean up pollution or contamination that threatens or may threaten public health or safety or the environment, if the Applicant certifies: (i) the property owner is unable or unwilling to pay for appropriate remediation or clean up; (ii) remediation or clean up must occur expeditiously to eliminate or mitigate the threat to public health or safety or the environment; and (iii) no Responsible Party has been identified or is financially capable or carrying out the remediation or clean up.” “[A]cquiring abandoned property or acquiring “blighted” property as that term “blighted” is defined and used in Minnesota Statutes chapter 469 also is an exception to the eminent domain policy.

#### **Section 7: NUMBER OF APPLICATIONS**

No more than five applications may be submitted for projects in a single city in any application cycle. Applicants submitting more than one application per cycle (year) must prioritize them according to the applicant’s internal priorities, prior to submittal.

#### **Section 8: ELIGIBLE AND INELIGIBLE USES OF FUNDING**

**Eligible Uses of Funds:** Grant funds may be used for basic public infrastructure and site assembly to support development projects that meet the funding goals. Funded elements must directly contribute to completion of built or finished projects that meet the funding goals. Requests will be evaluated in the context of individual projects.

1. Basic public infrastructure items include and are defined as:
  - a) Local public streets
    - new streets, street realignment, reconstruction of existing street grid, street extensions or connections.
    - street lighting and street signs, when requested in conjunction with one of the eligible items in 1(a), or to retrofit an existing street with these elements, as part of a proposal that meets the funding goals.
    - permanent public pedestrian features, including sidewalks and benches, when requested in conjunction with one of the eligible items in 1(a), or to retrofit an existing street with these elements as part of a proposal that meets the funding goals.
  - b) Other infrastructure
    - public parking structures (above- or underground), or the public portion of parking structures that will be for shared public-private use.
    - extensions or modifications of local public sewer and water lines, or telecommunications lines.
  - c) Other public connecting elements
    - Sidewalks and trails connected to transit.
    - Site-integrated transit shelters, permanent bike racks.
    - Bridge construction for vehicle or pedestrian use.
  - d) Storm water management improvements
    - new or expanded stormwater ponds, rain gardens, infiltration swales, pervious pavement, underground stormwater retention/infiltration structures, native vegetation for infiltration and erosion control, that are integral to the development.
  - e) Design and engineering for items listed in 1(a) through 1(d)
2. Site assembly for lands to be used for construction of buildings; streets; sidewalks; parks, plazas and other public spaces; or trails, that are integral to future development. Eligible items are:
  - a) Land acquisition.
  - b) Demolition and removal of obsolete structures, pavement, curb and gutter, sewer and water pipes, on sites the city has already acquired or will acquire.
  - c) Site preparation—site grading and soil correction to enable construction.

**Ineligible Uses of Funds:**

1. County road improvements: all items relating to county roads listed in “eligible uses,” Item 1(a).
2. Traffic signals for local and county roads.
3. Private parking structures.
4. Surface parking.
5. Trees, sod, landscape plantings.

6. For parks, plazas and other public areas: lighting; retaining walls, seat walls; sidewalks; paths; furnishings and equipment including but not limited to benches, trash receptacles, bike racks, signs, kiosks; playground equipment; water features; entry features; public art; shelters, gazebos, pergolas, bell towers; recreation buildings, amphitheaters.
7. Site assembly of lands to be used for transit infrastructure or capital investments, e.g. transit stations, station platforms, park-and-ride facilities (unless park-and-ride spaces will be used for shared parking).
8. Building construction.
9. Building rehabilitation and improvements, exterior and interior.
10. Housing “affordability gap” and “value gap” financing.
11. Pollution cleanup and related expenses.
12. Applicant’s administrative overhead.
13. Project coordination.
14. Activities prior to the date of the grant award.
15. Architect, developer, legal and other fees.
16. Local permits, licenses or authorization fees.
17. Travel expenses.
18. Costs associated with preparing grant proposals.
19. Operating expenses.
20. Prorated lease and salary costs.
21. Marketing costs.
22. Comprehensive plan preparation costs.
23. Costs associated with master plans or redevelopment plans, design workshops, design standards, market studies, zoning and land use implementation tools.

## **Section 9: AMOUNT OF AWARDS**

No minimum or maximum award levels for projects have been established. The Metropolitan Council reserves the right to award less than the amount requested and to award less than the available funding in the grant cycle.

## **Section 10: DISTRIBUTION OF FUNDS**

The Livable Communities Advisory Committee may recommend up to 40 percent of the total funds available in a grant cycle for projects located in Minneapolis and St. Paul. The Metropolitan Council reserves the right to subsequently consider awarding more than 40 percent of the total available funds in the grant cycle to projects located in Minneapolis and St. Paul, provided these conditions are met:

1. The consideration will adhere to the project evaluation and scoring process outlined in these criteria and to the project rankings; and,

2. Minneapolis and St. Paul projects that, if granted funds, would result in a total that exceeds 40 percent of the available funding in the current grant cycle:
  - a. Are exemplary demonstrations of the program criteria, as measured by these projects having scored 30 of 50 points in the Step Two advisory committee evaluation process; and
  - b. Have satisfactorily met the evaluation assessment for readiness, as determined in the advisory committee evaluation.

### **Section 11: LOCAL RESOLUTION**

A resolution from the applicant city, county or development authority in support of the applications(s) submitted must be included with the application, no later than July 21, 2008. The resolution must 1) authorize the grant applications(s); 2) identify the need for LCDA funding, such that the project could not occur in the foreseeable future without LCDA funds; 3) prioritize the applications according to the applicant's internal priorities, if an applicant is submitting more than one application; and 4) represent that the applicant has undertaken reasonable and good faith efforts to procure funding for the project components for which LCDA funding is sought, including reasons and supporting facts. Applications submitted by counties and development authorities on behalf of projects located in LCA-participating cities must also be supported by a resolution in support of the application from the city in which the project is located, as well as the resolution from the applicant county or development authority.

### **Section 12: APPLICATION PROCESS**

1. Applicants are strongly encouraged to attend one of the workshops offered the week of April 21, 2008. Email notification of workshop dates and locations will be sent to all LCA-participating cities, and workshop information will be posted on the Council's website at <http://www.metrocouncil.org/services/livcomm/LCAresources.htm#LCDA>
2. **Submit a pre-application** for each proposal for which you intend to submit a full application. Send it by email by 4:30 PM on **June 16, 2008**, to [joanne.barron@metc.state.mn.us](mailto:joanne.barron@metc.state.mn.us)
3. **Submission of application:**
  - a. **Submit 20 copies of the application** and required attachments by 4:30 PM on **July 21, 2008** to:  

Linda Milashius  
Metropolitan Council  
390 North Robert Street  
St. Paul, MN. 55101
  - b. Submit one copy of the application via **email** to [linda.milashius@metc.state.mn.us](mailto:linda.milashius@metc.state.mn.us) (no need to include attachments). Staff will send confirmation of application's receipt. The application is available at [www.metrocouncil.org/grants/lcda/demoapp.doc](http://www.metrocouncil.org/grants/lcda/demoapp.doc)

Sample sources and uses pages and a sample resolution of support are provided with the application form.

**Questions?** Please direct questions related to the application and review process to Joanne Barron, LCDA program coordinator ([joanne.barron@metc.state.mn.us](mailto:joanne.barron@metc.state.mn.us), 651.602.1385), or Linda Milashius, LCDA program support ([linda.milashius@metc.state.mn.us](mailto:linda.milashius@metc.state.mn.us), 651.602.1541).

## Section 13: PROJECT EVALUATION PROCESS

### Step One Evaluation Criteria -- 50 possible points

Applications must score 20 or more points of a possible 50 points, as described in Step One criteria A (items 1-5) and B, below, to advance to the Step Two evaluation process.

Three bonus points will be added to a project's score on criteria A (items 1-5) and B listed below if the project is located within one-half mile of an identified or proposed stop/station on a transitway (Northstar, Northwest, Cedar Avenue, I-35W, Central, Red Rock, Rush Line, Southwest, I-394, Hiawatha) or Express Commuter bus line in the Council's 2030 Transitway System. (Refer to the map online at [http://www.metrocouncil.org/planning/transportation/TPP/2004/TPPtransitsystemway\\_map.pdf](http://www.metrocouncil.org/planning/transportation/TPP/2004/TPPtransitsystemway_map.pdf))

A staff evaluation team will review and score eligible proposals using the Step One evaluation criteria and guidelines:

#### A. Land Use Criteria

**The extent to which the proposal will address or shows potential to address the following criteria**, as applicable to the site location, geographic location and the community context. Proposals will be evaluated according to the appropriate developed or developing context of the project itself, not its developed or developing community classification.

1. **Use land efficiently 0-8 points** – How well the project will achieve development that intensifies land use (adding buildings or other uses) and increases density to a level that maximizes the potential of the location.
2. **Develop land uses linked to the local and regional transportation systems 0-8 points** – How well the project will achieve development that is designed in relationship to transit and transportation: providing optimal convenience for pedestrian access to transit, and for relationships of development to the regional transit system (if the proposed project has no transit access, the proposal will be “held harmless” by using the average score of four points).
3. **Connect housing and centers of employment, education, retail, recreation uses 0-8 points** -

How well the project will achieve development that provides a diverse variety of uses (within the project area or when added to adjacent land uses) with improved jobs-housing balance, and access to a variety of destinations in a connected development pattern both within the project area and to adjacent neighborhoods.

4. **Develop a range of housing densities, types and costs** 0-8 points - How well the project will achieve development that:
  - provides life-cycle housing that includes a wide variety of housing types and prices or rents, by integrating new housing into existing neighborhoods through redevelopment, infill development, adaptive reuse; or through new development in developing communities – within the project or when added to the housing in adjacent neighborhoods; diversifies housing in the community; helps achieve the city’s affordable housing goals;
  - uses Green Communities criteria, Minnesota GreenStar or other accepted green building system; and
  - addresses one or more of Minnesota Housing’s goals.
5. **Conserve, protect and enhance natural resources through development that is sensitive to the environment** 0-8 points – How well the project will achieve development that optimally integrates natural resources, including best management practices for water resources that incorporate water resource management into project design to maximize development potential and employs natural resources, where feasible and appropriate, as community connections, assets and amenities.

**B. Tools and Processes**

**The extent to which the proposal includes tools and processes to ensure successful outcomes, as appropriate to the project,** including appropriate and effective regulatory tools; partnerships among government, private for-profit and nonprofit sectors; community participation, local vision and leadership - 0-10 points. How well the project achieves development that incorporates appropriate and effective regulatory tools to implement the project, such as zoning codes, design standards, development standards; strong and effective public-private partnerships; a meaningful local role to ensure that the project meets community needs and goals; and local vision and leadership.

**Step Two Evaluation Criteria – 50 possible points**

The Livable Communities Advisory Committee will score proposals according to the evaluation and selection criteria in Step Two.

**A. Innovation and Demonstration**

**The extent to which the project demonstrates innovative elements and demonstrates or shows potential to demonstrate new development concepts or elements in one or more of the scoring areas, for the community in which it is located and for the region.** 0-30 points



Scoring is based on the extent to which the proposal:

- uses land efficiently to maximize the potential of the project location;
- links land uses to transportation and transit where available;
- connects housing and centers of employment, education, retail, civic uses and recreation;
- provides a range of housing densities, types and costs;
- conserves, protects and enhances natural resources through development that is sensitive to the environment and incorporates the Minnesota Sustainable Building Guidelines;
- other innovation not covered in the above categories; and
- utilizes tools and processes to develop and implement the project, including consistency with area, neighborhood, corridor or other plans adopted by the municipality.

## **B. How LCDA Funding is a Catalyst**

**The extent to which the element for which funding is requested will be a catalyst to implement the project of which it is a part. 0-20 points**

**Proposals will be evaluated in the context of the site, geographic area and community. This will recognize the unique and diverse characteristics of projects' location and geographic location in the region.**

**To be considered for funding and advance to the Step Three evaluation process, proposals must score 30 or more points of a possible 50 points in the Step Two evaluation or be supported by a two-thirds vote of the advisory committee. Housing incentive points as described below in "housing performance scoring" will be applied separately.**

### **Step Three Selection Criteria — Readiness**

The readiness assessment includes:

- A. The status of implementation tools** – e.g., zoning codes and other official controls, design standards, or development standards.
- B. The status of funding commitments to ensure construction starts** for funded element(s) or further progress within a year from the date of the grant award (December 2009), and other indicators of readiness.
- C. Whether grant funds been expended for or progress** made on a prior LCDA development or opportunity grant for the same project or a related project.

### **Housing Performance Scoring**

Following evaluation and scoring of proposals, up to ten additional housing incentives points will be assigned to each applicant's score. The housing incentives points are determined by converting a community's housing performance score from a 100-point scale to a ten-point scale. Project rankings

may change as a result of adding the housing incentives points. However, the funding recommendations do not necessarily directly correspond to the numerical rankings.

A proposal will be ‘held harmless’ in the ranking process (the proposal will either improve its ranking or will not be lowered in the rankings) if the proposal includes or proposes new affordable housing, or if affordable housing is located within the project site/area.

The definition of affordable housing used to determine housing performance scores is consistent with how the Council has defined affordable ownership and rental housing in negotiating housing goals to implement the Livable Communities Act. Ownership housing is that which is affordable to households at 80 percent of area median income, and rental housing is that which is affordable at 50 percent of area median income.

DRAFT

# Local Housing Incentives Account

2008

Funding Schedule  
Funding Criteria  
And  
Selection Process

# Local Housing Incentives Account 2008 Funding Schedule

**2008 Available Funding: \$1.62 million**

## Ownership Programs

### ROUND 1:

<b>Date</b>	<b>Activity</b>
December 2007	Minnesota Housing Finance Agency (MHFA)/Metropolitan Housing Implementation Group (MHIG) Issue Request for Proposals (RFP)
February 14	Application Deadline
February 15 – March 21	MHFA/MHIG staff review applications
March 25	MHIG Application Evaluation and Selection Meeting
April 24	MHFA Board acts on recommendations from MHIG for RFP selections
May 19	Community Development Committee recommends grant awards
May 28	Metropolitan Council awards grants

## Ownership Programs

### ROUND 2: Tentative Schedule

<b>Date</b>	<b>Activity</b>
June 6 (Tentative)	MHFA/MHIG Issues RFP
July 14	Application Deadline
July – August	MHFA/MHIG staff review applications
September	MHIG Application Evaluation and Selection Meeting
October 23	MHFA Board acts on recommendations from MHIG for RFP selections
December 1	Community Development Committee recommends grant awards
December 17	Metropolitan Council awards grants

## Rental Programs

Date	Activity
April 21	Minnesota Housing Finance Agency (MHFA)/Metropolitan Housing Implementation Group (MHIG) Issue Request for Proposals (RFP)
May (dates TBD)	RFP Workshops for Metropolitan Area at MHFA
June (date TBD)	Application Deadline
July 1 – September	MHFA/MHIG staff review applications
September	MHIG Application Evaluation and Selection
October 23	MHFA Board acts on recommendations from MHIG for RFP selections
December 1	Community Development Committee recommends grant awards
December 17	Metropolitan Council awards grants

# Local Housing Incentives Account Funding Criteria and Selection Process

## **Section 1: BACKGROUND AND PURPOSE**

The Metropolitan Livable Communities Act (MN Statutes Chapter 473.254, Subd. 6) sets forth requirements for the distribution of Local Housing Incentives Account (LHIA) funds to meet cities' negotiated affordable and lifecycle housing goals. To implement the LHIA, the Metropolitan Council partners with the Minnesota Housing Finance Agency, the Family Housing Fund and others—called the Metropolitan Housing Implementation Group (MHIG)—in a collaborative process for distributing funds to assist affordable housing development and preservation. The MHIG employs an overall set of investment guidelines and criteria to which the funding partners may add their own criteria.

## **Section 2: EMINENT DOMAIN**

No applicant for a Metropolitan Council Livable Communities Act (LCA) grant shall be eligible for LCA grant funds from the Metropolitan Council if the project for which an LCA grant is requested requires the exercise of eminent domain authority over private property for purposes of *economic development* as defined by Council policy. The policy is available online at: <http://www.metrocouncil.org/services/livcomm/EminentDomainPolicy.htm>. The policy states that the prohibition regarding the use of eminent domain does not include “acquiring private property to remediate or clean up pollution or contamination that threatens or may threaten public health or safety or the environment, if the Applicant certifies: (i) the property owner is unable or unwilling to pay for appropriate remediation or clean up; (ii) remediation or clean up must occur expeditiously to eliminate or mitigate the threat to public health or safety or the environment; and (iii) no Responsible Party has been identified or is financially capable or carrying out the remediation or clean up.” “[A]cquiring abandoned property or acquiring “blighted” property as that term “blighted” is defined and used in Minnesota Statutes chapter 469 also is an exception to the eminent domain policy.

## **Section 3: MHIG EVALUATION CRITERIA**

Applicants apply for LHIA funds through the Super RFP and Application distributed by the Minnesota Housing Finance Agency. All applications submitted are reviewed and evaluated as to the extent they address the following MHIG Shared Evaluation Criteria:

- Preserving existing affordable housing stock;
- Providing workforce housing choices;
- Increasing homeownership opportunities for underserved populations;
- Exhibiting strong implementation partnerships;
- Identifying significant leveraged resources;
- Demonstrating a high degree of readiness;
- Achieving comprehensive community support;

- Complying with the missions of the funding partners;
- Using land efficiently;
- Displaying efforts to end long-term homelessness; and
- Adhering to green development criteria.\*

\*The green development criteria that will be applied in the MHIG evaluation process were developed by Minnesota Green Communities, which is a collaboration of the Greater Minnesota Housing Fund, the Family Housing Fund, and Enterprise. The purpose of the criteria is to promote cost-effective energy conservation measures, healthy environments, and efficient land use. The criteria being applied are the Minnesota Overlay to the Green Communities Criteria that were produced collaboratively by the Minnesota Green Communities partners and Minnesota Housing and have been adopted by the Minnesota Housing Board of Commissioners. For the specific criteria and more information, see the following website:

[http://www.mnhousing.gov/idc/groups/public/documents/document/mhfa\\_006584.pdf](http://www.mnhousing.gov/idc/groups/public/documents/document/mhfa_006584.pdf)

#### **Section 4: LOCAL HOUSING INCENTIVES ACCOUNT SPECIFIC CRITERIA**

Funds from this account are awarded as grants that must be matched by a dollar-for-dollar expenditure on affordable housing activities by the municipality receiving the funds. LHIA grant funds may be used for costs associated with projects that help municipalities meet their negotiated LCA housing goals, including, but not limited to acquisition, rehabilitation, and construction of permanent affordable and life-cycle housing.

#### **Section 5: THRESHOLD CRITERIA**

- To be eligible, a municipality must have: 1) elected to participate in the Livable Communities Act Local Housing Incentives Account program; 2) negotiated housing goals adopted by the Metropolitan Council; and 3) identified to the Council the actions it plans to take to achieve these negotiated housing goals.
- The municipality must be actively pursuing various ways to meet its negotiated affordable and life-cycle housing goals.
- The municipality must match the amount of the LHIA funds to be awarded with a local affordable housing investment or contribution of an equal amount.
- New construction homeownership programs seeking assistance through the LCA LHIA funds must have a significant component of the program serving households with incomes at or below 60 percent of area median income. Other homeownership, rehabilitation, home improvement, and acquisition, demolition and resale programs may serve households at up to 115 percent of area median income in areas of low-valued, blighted and substandard properties where the local government is engaged in a redevelopment and neighborhood improvement effort to which it has committed matching local funding.

The LHIA contribution to fill the affordability or value gap in homebuyer programs will be limited to no more than one-half of the difference between the current affordable ownership amount for households at 60 and 80 percent of area median income.

- Homeownership programs involving affordability gap funding requests must include acknowledgment that resale limitations regarding equity realized by buyers assisted by LHIA

funding will be imposed by the administrators of the ownership program to recover the public investment represented by the LHIA funds.

- Each funding round, priority will be given to using 50 percent of the funds directed to rental proposals for creating/preserving units affordable at 30 percent of area median income.
- Among these priority proposals, further priority will be given to those in which units affordable at 30 percent of area median income are to meet the needs of the chronically homeless.
- Funds not used to assist rental proposals serving households at 30 percent of area median income or lower may be used to assist rental proposals serving households at 50 percent of area median income.

## **Section 6: COMPETITIVE CRITERIA**

Other factors to be considered include:

- The municipality currently has a net fiscal disparities contribution of \$200 or more per household.
- The municipality does not use its Affordable and Life-cycle Housing Opportunity Amount (ALHOA) expenditure as the source for its matching funds.

To participate in the Local Housing Incentives Account Program, communities are required to contribute a specified amount of local resources to affordable housing each year they participate in the program. This contribution, or expenditure, is called the Affordable and Life-Cycle Housing Opportunities Amount (ALHOA). The ALHOA is equal to the community's share of the Council's annual LCA assessment. The LCA assessment is determined by a formula set forth in the LCA statutes. It is not a grant from the Livable Communities Account. In order to continue to participate in the program, communities must expend or contribute at least 85% of their annual ALHOA obligation. Communities have some flexibility in determining which local expenditures fulfill the ALHOA contribution. Examples of ALHOA-eligible expenditures include housing assistance, development or rehabilitation efforts, the costs of local housing inspection and code enforcement, and local taxes to support a local or county Housing and Redevelopment Authority.

- The Housing Performance Scores of the municipalities in which the housing either is located, or is proposed to be located, are considered in inverse rank order in LCA LHIA funding recommendations.