Business Item
Item: 2011-90

C Community Development Committee

Meeting date: April 4, 2011

ADVISORY INFORMATION

Date:	**March 29, 2011**
Subject:	**2011 Annual Livable Communities Fund Distribution Plan**
District(s), Member(s):	**All**
Policy/Legal Reference:	**Minnesota Statutes, Section 473.25**
Staff Prepared/Presented:	**Paul Burns, Livable Communities Program Manager, 651-602-1106**
Division/Department:	**Community Development/Livable Communities**

Proposed Action

That the Metropolitan Council approve the 2011 Annual Livable Communities Fund Distribution Plan.

Background

The attached 2011 Annual LCA Fund Distribution Plan establishes the amount of funding that will be available for grant awards from each of the Livable Communities Act (LCA) fund accounts during 2011; sets the calendar for the grants making processes; and sets forth the criteria upon which grant awards will be based.

The following is a list of changes proposed for implementation in 2011:

- Grant terms will be 3 years, during which the Grant-Funded Activities must be completed and construction of the project catalyzed by the grant must commence. A term extension of up to two years may be granted administratively with evidence of reasonable progress.
  - o Previously, grant terms were limited to two years, during which the Grant-Funded Activities as well as the project catalyzed by the grant had to be completed, with term extensions limited to one year approved by the full Council.
- The application criteria and evaluation process will provide greater consideration for projects located within Transit Improvement Areas (TIAs) as designated by the Minnesota Department of Employment and Economic Development (DEED).
- The application criteria and evaluation process will provide greater consideration to the Housing Performance Score of the community in which the project is located.
- All references to the Council's policy prohibiting the use of LCA grant funds for projects in which the applicant had exercised the power of eminent domain over private property for purposes of economic development have been removed from the Fund Distribution Plan and will be removed from LCA grant agreements, because changes in Minnesota statutes now address the same issues covered by the policy.
- For TBRA grants, projects that do not generate property taxes or payments in lieu of taxes (PILOT) will be ineligible.

- For TBRA Cleanup Site Investigation grants, two additional funding cycles will be added.

- For LCDA Development grants, eligibility will be reinstated for place making public infrastructure that attracts private investment and for public elements that improve the functional connectivity of the project to surrounding schools, parks and other public services.

- For LCDA Development grants, the Housing Performance Score will be included in the Step One scoring that is completed by staff, and the threshold points required for a project to move from Step One to Step Two will be increased.
    - Previously, the Housing Performance Score was considered after the completion of both Step One and Step Two scoring.

- For LAAND loans, the awardee must purchase the property within two years after the award of the loan and an amount of up to 5% of the loan will be provided as a grant to the borrower to help cover acquisition and holding costs on the property prior to the sale of the property to a developer.
    - Previously, the awardee was required to purchase the property within one year of the loan award, and there was no provision for assisting the borrower with acquisition and holding costs.

- For LAAND loans, the awardee will be allowed to negotiate a purchase agreement on the property up to 12 months prior to making their LAAND application.
    - Previously, the awardee was prohibited from negotiating a purchase agreement for the property prior to receiving the LAAND award.

Rationale

The proposed changes in the Plan reflect recommendations from the Livable Communities Advisory Committee and staff, and more importantly, respond to concerns expressed by local government and their development partners that suggest the need for some changes. The proposed changes will loosen constraints that have impacted the effectiveness and needed flexibility of the programs, give greater emphasis to affordable housing efforts and transit oriented development in support of and consistent with the goals of the HUD Sustainable Communities grant, and provide housekeeping and programmatic consistency.

Funding

The Fund Distribution Plan for 2011 includes:

- $5 million in the Tax Base Revitalization Account (TBRA) for Cleanup grants, including up to $500,000 in TBRA Cleanup-Site Investigation grants;
- $9 million in the Livable Communities Demonstration Account (LCDA), including up to $1 million for Pre-Development grants;
- $1.9565 million in Land Acquisition for Affordable New Development (LAAND) loan funds; and
- $2.3 million in the Local Housing Incentives Account (LHIA).

Actions currently being discussed by the Legislature could necessitate a reduction to these amounts and a later amendment to the 2011 LCA Fund Distribution Plan.

Known Support / Opposition:

Metro Cities has expressed their support of the changes in the Plan and intend to submit a letter supporting the 2011 LCA Fund Distribution Plan.

2011 Annual
Livable Communities
Fund Distribution Plan

April 4, 2011

Metropolitan Council

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Introduction

Background

The Livable Communities Act[1] (LCA), created 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, strengthen tax base, and create and retain jobs and/or affordable housing. There have been a total of 286 TBRA grants awarded through 2010, for a total of over $82.7 million.
    - TBRA *Cleanup* grants provide funding to assist with cleanup of polluted land in the metropolitan area.
    - TBRA *Cleanup-Site Investigation* grants provide funds for contaminated site investigation activities such as Phase I and Phase II environmental site investigations, preparation of Response Action Plans (RAPs), or hazardous material surveys for asbestos or lead-based paint.
- The **Livable Communities Demonstration Account (LCDA)** funds development and redevelopment projects that link housing, jobs and services and that use infrastructure and regional facilities efficiently. There have been 196 LCDA grants awarded through 2010, for a total of over $98 million.
    - LCDA *Development* grants provide assistance with site assembly and public infrastructure for qualifying projects.
    - LCDA *Pre-Development* grants help to support activities that lay the groundwork for successful development implementation.
    - The **Land Acquisition for Affordable New Development (LAAND)** program, created in 2008, uses monies from the LCDA fund to create no-interest loans to communities to acquire land for future affordable housing projects. There have been five loans awarded, for a total of $4,000,000.
- The **Local Housing Incentives Account (LHIA)** helps expand and preserve lifecycle and affordable rental and ownership housing. There have been 131 LHIA grants awarded through 2010, for a total of $23.2 million.
- 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. There were 13 grants awarded through the IHA, for a total of $4.5 million. This fund is no longer active.

The LCA requires that the Metropolitan Council (Council) prepare an annual plan for distribution of the fund based on the criteria for Project and applicant selection. The 2011 Fund Distribution Plan is the 15th such plan.

[1] MN Statutes §473.25

Funding sources

The LCA establishes the funding sources for each of the active accounts:

- The TBRA is funded by a property tax levy, established in the Council's annual budget, that may not exceed $5,000,000[2].
- The LCDA is funded by a property tax levy established in the Council's annual budget.
- LHIA funding includes $500,000 from the LCDA plus $1,000,000 annually from the Council's budget.
- LAAND funding is provided by a shift of funds from the LCDA account.

2011 funds available for award

Legislation passed in 2009 authorized the Council to transfer to its transit operating budget in 2009, 2010, and 2011 money that is not committed to grant or loan awards made by the Council as follows:

- up to 50 percent of the revenues and amounts credited, transferred, or distributed to the TBRA or LCDA in 2009, 2010 and 2011; and
- balances in the Livable Communities fund accounts in 2009, 2010, and 2011.

The amount of LCA funding available for distribution each year may be greater than legislatively authorized amounts. The additional funds derive from two sources:

- balances from grants either completed the previous year with remaining unexpended balances or relinquished by grantees for projects in which a change in circumstances resulted in the inability to proceed with a project; and
- interest credited to each account during the previous year.

The dollar amounts set in the Fund Distribution Plan are the base amounts for grants to be awarded during 2011. If significant additional monies accrue to any account during 2011 due to 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, carried forward to the 2012 Fund Distribution Plan, or included in funds shifted to the transit operating budget.

The funds available for 2011 are estimated to include:

- $5 million for the TBRA, with up to $500,000 of that available for Cleanup-Site Investigation grants;
- $9 million for the LCDA, with up to $1 million of that amount available for Pre-Development grants;
- $2.3 million for the LHIA; and
- $1.9565 million for the LAAND program.

[2] In 2011, $100,000 must be transferred from TBRA to the Commissioner of Revenue for a study of the Metropolitan Revenue Distribution Program, commonly known as the Fiscal Disparities Program.

Eligible applicants

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

To participate in the Program, communities are required to contribute a specified amount of local resources, known as the Affordable and Lifecycle Housing Opportunities Amount (ALHOA), to create affordable and lifecycle housing each year they participate in the program. The ALHOA is equal to the community's LCDA levy; communities must contribute at least 85% of their annual ALHOA obligation to be eligible. 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 or similar agency.

Further, a municipality in which the proposed project will be located must have negotiated affordable and lifecycle housing goals that have been adopted by the Council. The municipality must have identified the actions it plans to take to achieve these negotiated goals in a Housing Action Plan submitted to the Council and be actively pursuing various ways to meet those goals.

Definitions

- *Affordable* housing is ownership or rental housing affordable to households earning 60% or less of Area Median Income (AMI).
- The *Grant-Funded Activities* are components of the Project described in the application. The Grant-Funded Activities do not in and of themselves comprise the Project for which grant funds are awarded.
- A *Living Wage* is 130% of Area Median Income for a family of four.
- The *Project* is the development or redevelopment project identified in the application for funds for which grant funds were requested and provides the deliverables upon which the application was scored.
- The *Project Area* is the specific geographic area in which LCDA Pre-Development activities will be conducted.
- *Transit Improvement Areas* (TIA) are specially designated tracts of land that encompass a half mile radius around transit stations that support bus rapid transit, light rail transit or commuter rail that have the potential to increase ridership and stimulate new commercial and residential development that have been designated by the Minnesota Department of Employment and Economic Development (DEED). Fifty-three TIAs have been designated along the Northstar Commuter Rail, Hiawatha Light Rail, Cedar Avenue Bus Rapid Transit, I-35W Bus Rapid Transit, Central Corridor Light Rail, and Southwest Light Rail routes.

New in LCA for 2011

- Grant terms will be three years, during which the Grant-Funded Activities must be completed and construction of the project catalyzed by the grant must commence. A term extension of up to two years may be granted administratively with evidence of reasonable progress.

    - Previously, grant terms were limited to two years, during which the Grant-Funded Activities as well as the project catalyzed by the grant had to be completed, with term extensions limited to one year approved by the full Council.

- The application criteria and evaluation process will provide greater consideration for projects located within Transit Improvement Areas (TIAs) as designated by the Minnesota Department of Employment and Economic Development (DEED).

- The application criteria and evaluation process will provide greater consideration to the Housing Performance Score of the community in which the project is located.

- All references to the Council's policy prohibiting the use of LCA grant funds for projects in which the applicant had exercised the power of eminent domain over private property for purposes of economic development have been removed from the Fund Distribution Plan and will be removed from LCA grant agreements, because changes in Minnesota statutes now address the same issues covered by the policy.

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- For LCDA Development grants, eligibility will be reinstated for placemaking public infrastructure that attracts private investment and for public elements that improve the functional connectivity of the project to surrounding schools, parks and other public services.

- For LCDA Development grants, the Housing Performance Score will be included in the Step One scoring that is completed by staff, and the threshold points required for a project to move from Step One to Step Two will be increased.
    - Previously, the Housing Performance Score was considered after the completion of both Step One and Step Two scoring.

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- For LAAND loans, the awardee will be allowed to negotiate a purchase agreement on the property up to 12 months prior to making their LAAND application.
    - Previously, the awardee was prohibited from negotiating a purchase agreement for the property prior to receiving the LAAND award.

Grant terms

- For LCDA Development grants, LHIA grants, and TBRA Cleanup grants, the Grant-Funded Activities must be completed *and* the Project supported by the grant must have commenced within the three-year term of the grant.

- TBRA Cleanup-Site Investigation Grant-Funded Activities must be completed within the one-year term of the grant.
- LCDA Pre-Development Grant-Funded Activities must be completed within the two-year term of the grant.
- For LAAND loans, the land must be purchased and the loan closed within two years of the Council's award of the loan.

Award limits

Except for LCDA Pre-Development grants, TBRA Cleanup-Site Investigation grants and distribution limits established for cities by statute, 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 a funding cycle.

Tax Base Revitalization Account

2011
Funding Schedule
Funding Criteria
and Selection Process

Tax Base Revitalization Account 2011 Funding Schedule

2011 Available Funding for TBRA Grants:
$5 Million, including up to $0.5 Million for Cleanup-Site Investigation Grants

Application Type	Month	Activity
Round 1: Investigation and Cleanup	April	Notice of Funding Availability
	May	Applications due
	June	Community Development Committee recommends grant awards
	July	Metropolitan Council awards grants
Round 2: Investigation-only	July	Notice of Funding Availability
	August	Applications due
	August	Community Development Committee recommends grant awards
	September	Metropolitan Council awards grants
Round 3: Investigation and Cleanup	August	Notice of Funding Availability
	November	Applications due
	December	Community Development Committee recommends grant awards
	January 2012	Metropolitan Council awards grants
Round 4: Investigation only	January 2012	Notice of Funding Availability
	February 2012	Applications due
	February 2012	Community Development Committee recommends grant awards
	March 2012	Metropolitan Council awards grants

Tax Base Revitalization Account

Section 1: Background and purpose

The Metropolitan Livable Communities Act[3] (LCA) created the **Tax Base Revitalization Account** (TBRA). The TBRA provides funds to investigate and clean up contaminated land and buildings in areas that have lost commercial/industrial activity to make them available for economic redevelopment that enhances the tax base of the recipient municipality while promoting job retention or job growth and/or the production of affordable housing. TBRA funds, raised by a legislatively-authorized levy, are capped at $5 million per year. Applications for 2011 funding will be accepted in May, August and November of 2011 and February of 2012. In 2011, a maximum of $500,000 of the funding available may be used for Cleanup-Site Investigation grants.

Applicants will choose one of the following two grant categories for each proposal submitted for funding:

- Cleanup-Site Investigation grants are intended for applicants that have a redevelopment site with suspected or perceived contamination and are seeking public funding to determine the scope and severity of the contamination and to develop a cleanup plan. In 2011, up to $500,000 may be awarded for Cleanup Site Investigation grants.
- Contamination Cleanup grants are intended for projects that have recently completed their cleanup site investigation and are seeking public funding to assist with the cost of implementing a cleanup plan for eligible activities and begin redevelopment on a specific project.

Section 2: New TBRA elements for 2011

- For TBRA grants, projects that do not generate property taxes or payments in lieu of taxes (PILOT) will be ineligible.

- For TBRA Cleanup Site Investigation grants, two additional funding cycles will be added.

Section 3: Partnerships and coordination

TBRA awards are coordinated with complementary programs at the Minnesota Pollution Control Agency (MPCA), Minnesota Department of Employment and Economic Development (DEED), Hennepin County and Ramsey County.

Section 4: Application process

Interested parties may obtain a Cleanup or a Cleanup-Site Investigation application packet by contacting the Metropolitan Council (Council) or by downloading it from the Council's website. Any TBRA questions should be directed to the TBRA grant program coordinator.

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[3] MN Statutes §473.252

Local resolution

Any proposal for funds under this program must include a resolution from the local unit of government within which the proposed project is located. The resolution must affirm that the project would not occur through private or other public investment without Council funding.

Award limits

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 Saint Paul).

Section 5: Competitive process, eligible and ineligible uses for Cleanup-Site Investigation grants

Eligible Uses for Cleanup-Site Investigation Grants

Eligible expenditures include:

- Phase I and Phase II environmental site investigations.
- Preparation of approved RAPs developed in conjunction with the MPCA for soil or ground water contamination or hazardous waste that meet the requirements for the VIC Program and/or the PBP at MPCA.
- 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.

Ineligible Uses for Cleanup-Site Investigation Grants

Ineligible expenditures include:

- investigation costs incurred prior to the date of the grant award;
- contamination cleanup costs; and
- costs incurred to prepare or submit applications.

Scoring criteria

The Council is required to consider certain factors in order to ensure the highest return of public benefits for the public costs incurred. The following criteria will be assigned point values to rank each applicant’s proposal against the others in the grant cycle to compare and evaluate applications. Consultation with Council staff and external partners may also be a part of the process of evaluating applications (e.g., DEED, MPCA, the Minnesota Department of Commerce).

Cleanup-Site Investigation Applications

Applications will be ranked according to the extent to which they demonstrate :

Tax Base (5 points)	**Points**
Increase to the tax base of the recipient municipality based on a redevelopment proposal.	5
Jobs and/or affordable housing (5 points):	
• Potential to increase the number of new full-time equivalent jobs for the region. • Potential to retain existing full-time equivalent jobs for the region. • Potential to add affordable rental or ownership housing units.	5
Brownfield clean up/environmental health improvements (15 points):	
The site to be investigated and ultimately cleaned up is one of the most contaminated sites and will provide the greatest improvement in the environment and the greatest reduction in human health risk as compared to other cleanup-site investigation proposals.	7
The site and suspected contamination would lend itself to the use of green remediation practices.	4
The applicant's track record of successful completion of cleanup of sites with prior Council-funded environmental investigations.	4
Compact and Efficient Development (15 points):	
Show how the Investigation supports Council's *2030 Regional Development Framework* goals by:	
• Measuring anticipated density of the likely project (floor area ratio);	5
• Proximity of the potential development site to transit; and/or	5
• Re-use of vacant or abandoned sites.	5
Readiness/Market demand (15 points)	
Demonstrate readiness to proceed with cleanup-site investigation.	5
Demonstrate readiness to proceed with site cleanup.	5
Demonstrate market demand for proposed redevelopment elements in the project area and demonstrate readiness to implement the proposed project if/when TBRA funding is provided, including identifying a developer and any non-residential tenants.	5
Partnership (5 points)	
Demonstrate established financial partnerships. Points are awarded for committing matching funds beyond the required minimum 25% match.	5
TOTAL	**60**

Cleanup-Site Investigation applications **will** be determined ineligible for funding if:

- a current property owner or developer caused the property to be contaminated;
- no known or suspected environmental contamination is demonstrated;
- an analysis of the application determines the funding is not needed in order for the project to proceed;
- the application does not score at least 40% (24 points) of the total points available (60 points); or
- for asbestos or lead-based paint survey requests, the building area is less than 10,000 gross square feet per structure.

Cleanup-Site Investigation applications **may** be determined ineligible for funding if:

- Cleanup-Site Investigation 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[4].

Other considerations

- The applicant must pay for at least 25% of the total costs as a local match.
- The maximum award is $50,000 per site.
- All Grant-Funded Activities must be completed within one year of the award of the grant.

Section 6: Competitive process, eligible and ineligible uses for Contamination Cleanup Grants

Eligible Uses for Contamination Cleanup grants

Eligible expenditures include:

- Costs incurred to implement a cleanup or abatement in accordance with an approved RAP for:
  - contaminated soil cleanup;
  - contaminated ground water cleanup;
  - contaminated soil vapor mitigation; or
  - abatement of asbestos-containing materials and lead-based paint.
- Costs related to contaminated-site investigation activities that have occurred no earlier than 180 days prior to the current TBRA application deadline that are related to an eligible cleanup grant request. These include investigating the extent and/or nature of soil or ground water contamination, as well as asbestos and lead-based paint surveys, including such activities as:
  - Phase I and Phase II environmental site investigations;

[4] MN Statutes §473.859, Subd. 5

- preparation and implementation of approved RAPs developed in conjunction with the MPCA for soil or ground water contamination or hazardous waste that meet the requirements for the VIC Program and/or the PBP at MPCA; and/or
- hazardous materials surveys for asbestos and or lead-based paint that meet the requirements for AHERA standards for asbestos and applicable federal and state laws, rules and standards governing lead abatement.

Note: More detail on eligible costs is available on the Council's website.

Ineligible Uses for Contamination Cleanup grants

Ineligible expenditures include:

- removal of solid waste;
- handling and disposal of regulated (non-hazardous) waste; and
- costs to prepare or submit an application.

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. Eligibility of incurred cleanup costs will be determined on a case-by-case basis and will consider:

- when the cleanup work occurred;
- the timing and types of approvals received for the project site by voluntary cleanup programs (e.g., MPCA, Minnesota Department of Agriculture [MDA]);
- the types of standards used to complete an asbestos evaluation; and
- when Council staff was officially informed about a grant request relative to performance of any cleanup work.

Scoring Criteria

The Council is required to consider certain factors in order to ensure the highest return of public benefits for the public costs incurred. The following criteria will be assigned point values to rank each applicant's proposal against the others in the grant cycle to compare and evaluate applications. Consultation with Council staff and external partners may also be a part of the process of evaluating applications (e.g., DEED, MPCA, the Minnesota Department of Commerce).

Contamination Cleanup Applications

Contamination cleanup applications will be ranked according to the extent to which they achieve the following:

Contamination Cleanup	Points
Tax Base (25 points):	
Increase the tax base of the recipient municipality	20
Add tax revenue in the near term. (Projects not in a Tax increment Finance [TIF] district earn 5 points because all the affected tax jurisdictions benefit immediately.)	5
Jobs and/or affordable housing (25 points):	
• Increase the number of jobs for the region; • retain existing jobs; • preserve and/or increase living wage jobs; • increase living wage jobs in/near areas of concentrated poverty and demonstrate linkages between jobs and housing for local residents; and/or • add affordable rental or ownership housing units.	25
Brownfield cleanup/environmental health improvements (20 points):	
Clean up the most contaminated sites to provide the greatest improvement in the environment and the greatest reduction in human health risk	20
Framework 2030 Implementation/Regional System support (25 points):	
Show how the project supports Framework 2030 goals to: • accommodate growth through increased redevelopment density; • promote transit options by choosing project locations within a designated Transit Improvement Area (TIA); • provide housing choices; and • conserve vital natural resources.	16
Show how the project is integrated with Regional Systems: • Environmental Services; • Transportation; and • Regional Parks.	9
Readiness/Market demand (20 points):	
Demonstrate readiness to proceed with project site cleanup.	5
Demonstrate market demand for proposed redevelopment elements in the project area and demonstrate readiness to promptly implement the proposed project if/when TBRA funding is provided, including identifying an end-stage developer and any non-residential tenants.	15
Partnership (5 points):	
Represent innovative partnerships among various levels of government and private for-profit and non-profit sectors.	5

Contamination Cleanup	Points
Efficiency - Lifecycle cost/benefits (5 points):	
• Demonstrate efficiencies in the project including reduced life cycle costs. The State of Minnesota's Buildings, Benchmarks and Beyond (B-3) 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. • For project operations, show how the project conserves energy, water and other natural resources, reduces waste and provides cleaner air. • For the project site, show the use of conservation-oriented site design.	5
Supplemental Funding (5 points):	
Supplemental funding is only for projects with a previously-awarded and currently-active TBRA grant that exhibit significantly higher cleanup costs than previously known to the Council. Supplemental funding points are not awarded for subsequent phases of multi-phase projects.	5
Community's housing performance score (20 points):	
The applicant's Housing Performance Score will be converted from a 100 point scale to a 20 point scale. If a proposed project includes new affordable housing or if affordable housing is located within the project site/area, the proposal will be held harmless by assigning the higher of the community's actual score or the average score for this section from all proposals.	20
TOTAL	**150**

Cleanup-site 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 than the total project costs;
- redevelopment proposals include principally tax-exempt uses which do not generate property taxes or PILOT; or
- upon review the application does not score at least 40 percent (60 points) of the 150 total points available.

Cleanup applications **may** be determined ineligible for funding if an analysis of the proposals determines:

- cleanup 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[5].

[5] MN Statutes §473.859, Subd. 5

Other considerations

- Cleanups must be completed within the grant term.
- Redevelopment project construction must commence within the grant term.
- All *cleanup* costs must be incurred after the grant award date to be eligible for reimbursement, with the notable exception of activities conducted by applicants requesting supplemental grant awards that adhere to the conditions in the Ineligible Uses section of this Fund Distribution Plan.
- Consistent with DEED guidelines, the funds may be used to provide up to 13% of the investigation/cleanup cost as the local match required for a grant from DEED's Contamination Cleanup Grant Program.

Section 7: Reporting Requirements

TBRA grantees are required to submit periodic progress reports. Detail supplied with payment requests comprises the bulk of these progress reports, which are augmented with semi-annual reports if no payment requests are presented or as necessary. When the grant is closed, the grantee's chief financial officer is required to certify to the appropriate expenditure of funds.

Recipients of Cleanup-Site Investigation grants must also submit to the Council at the closure of the grant a copy of the environmental investigation documents and approval of the response action plan by the MPCA VIC or PBP program.

Recipients of TBRA cleanup grants must also submit a report annually to the Metropolitan Council after the end of the grant term and for four years, stating:

- the site redevelopment activities completed the previous calendar year;
- the net tax capacity assessed in the prior year and the total property taxes paid on the parcel (land and buildings) for the reporting year; and
- 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.

Livable Communities Demonstration Account

2011
Funding Schedule,
Funding Criteria
and
Selection Process

Livable Communities Demonstration Account

2011 Available Funding for LCDA Grants: $9.5 Million, including up to $1 Million for Pre-Development Grants

Month	Activity
April	Notice of Funding Availability
May	Development grant pre-applications due
July	Full applications due for Development and Pre-Development grants
August – October	Staff and Livable Communities Advisory Committee review and rank proposals
November	Community Development Committee recommends grant awards
December	Metropolitan Council awards grants

Livable Communities Demonstration Account

Section 1: Background and purpose

The Livable Communities Demonstration Account (LCDA) was established by the Livable Communities Act (LCA)[6]. 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 the statutory objectives of the program, not merely to fill project funding needs.

- LCDA *Development* grants provide funds to support projects that connect development or redevelopment 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.
- LCDA *Pre-Development* grants support applicant cities with small grants to fund pre-development implementation planning that will lead to projects that will exemplify LCDA statutory goals.

LCDA funding helps applicants implement their community development objectives and comprehensive plans. The LCDA legislative objectives are supported by the *2030 Regional Development Framework* (Framework) policies. LCDA funding will support Development projects that demonstrate innovative and new ways of meeting Framework goals and Pre-Development projects that show potential for achieving the goals. Framework goals include:

- 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; and
- conserve, protect and enhance natural resources by means of development that is sensitive to the environment.

In developed communities[7], the emphasis of these goals will be consistent with Framework direction on maintaining and improving infrastructure, buildings and land to provide developments that integrate and intensify land uses.

Projects in developing communities[8] 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.

Projects meeting these goals and funded through the LCDA program can help reduce travel by eliminating or shortening vehicle trips or by making some trips possible by walking, biking or transit. These results are made possible by connecting land uses, improving access to transportation corridors, connecting modes of transportation and linking housing with destinations accessible to transportation corridors and a range of transportation modes. Over the long run, results are expected to reduce air pollution, mitigate congestion, and reduce infrastructure costs and greenhouse gas emissions.

The Council encourages LCDA funding proposals that also reduce energy use through siting, building orientation and innovative design of residential and other buildings.

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[6] MN Statutes §473.25(b)

[7] Developed Communities are cities where more than 85% of the land is developed, infrastructure is well established and efforts must go toward keeping it in good repair. (2030 Regional Framework)

[8] Developing Communities are cities where the most substantial amount of new growth – about 60 percent of new households and 40 percent of new jobs – will occur. (Ibid.)

Section 2: New LCDA elements for 2011

In 2011, the following changes are being made to the LCDA program:

- For LCDA Development grants, eligibility will be reinstated for placemaking public infrastructure that attracts private investment and for public elements that improve the functional connectivity of the project to surrounding schools, parks and other public services.

- For LCDA Development grants, the Housing Performance Score will be included in the Step One scoring that is completed by staff, and the threshold points required for a project move from Step One to Step Two will be increased.

  - Previously, the Housing Performance Score was considered after the completion of both Step One and Step Two scoring.

Section 3: Partnerships and coordination

The criteria and evaluation process are coordinated with state agency policies and initiatives so that funding consideration is given to projects that include or demonstrate:

- strategies to provide a continuum of affordable housing (Minnesota Housing);
- projects located in Transit Improvement Areas (TIAs) designated by the Minnesota Department of Employment and Economic Development (DEED).
- Green Communities criteria for building affordable housing (Minnesota Housing);
- the potential benefit of major state transportation investments (Minnesota Department of Transportation);
- the Minnesota Sustainable Building Guidelines to encourage more sustainable building practices (Minnesota Departments of Administration and Commerce);
- the land use goals of Project 2030, an initiative that identifies the impact of the aging of the baby boom generation and supports lifecycle housing (Minnesota Department of Human Services); and
- implementation of policies and requirements of the Minnesota Pollution Control Agency for surface water management.

Section 4: Application process

Interested parties may obtain an application packet by contacting the Council or by downloading it from the Council's website.

Local resolution

A resolution supporting the LCDA application is required from the municipality in which the project is located.

Number of applications

No more than six applications, for Development and Pre-Development grants combined, may be submitted for projects in a single city in any application cycle. The limit of six applications includes those submitted by all entities within the city (i.e., the city, economic development authority, port authority, etc.) and projects submitted by counties on behalf of cities. Applicants submitting more than one application per funding cycle must prioritize their applications according to the applicant's internal priorities, prior to submittal.

Award limits for all LCDA awards

Council-established guidelines state that up to 40% of the total funds available in a grant cycle is available to projects located in Minneapolis and/or Saint Paul. The Council reserves the right to consider awarding more than 40% under certain conditions.

Section 5: Competitive process, eligible and ineligible uses for Development grants

Eligible projects

A project eligible for consideration for an LCDA Development award is one that meets the statutory requirements and policy goals for the program. These include projects that will:

- interrelate development or redevelopment and transit;
- interrelate affordable housing and employment growth areas;
- intensify land use that leads to more compact development or redevelopment;
- involve development or redevelopment that mixes incomes of residents in housing, including introducing or reintroducing higher value housing in lower income areas to achieve a mix of housing opportunities; or
- encourage public infrastructure investments which connect urban neighborhoods and suburban communities, attract private sector redevelopment investment in commercial and residential properties adjacent to the public improvement, and provide project area residents with expanded opportunities for private sector employment.[9]

Eligible uses of Development grants

Grant funds may be used for basic and placemaking public infrastructure and site assembly to support development projects that meet the funding goals, and funded elements must directly contribute to completion of the project. Requests will be evaluated in the context of individual projects.

Basic and placemaking public infrastructure includes:

- local public streets;
- public-use or shared-use parking structures;
- extensions or modifications of local public sewer and water lines, or telecommunications lines;
- public connecting elements (generally in the public right-of-way or clearly for public use) including sidewalks and trails that enhance the functional connectivity of the project to transit and other surrounding public spaces including schools and parks.
- site-integrated transit shelters, bike racks, bridges for vehicle or pedestrian use;
- stormwater management improvements;
- lighting, seating, sidewalks, paths and furnishing and equipment for parks, plazas and other public areas; and

[9] MN Statutes §473.25 (b)

- construction of placemaking functional elements or improvements that serve as a focal point of the development and that attract other investment.

Eligible site assembly activities include:

- land acquisition;
- demolition and removal of obsolete structures; and
- grading and soil correction to prepare a site for construction.

Ineligible uses of Development grants

Ineligible uses of LCDA Development funds include:

- county road improvements;
- parking structures without a shared public component;
- surface parking, trees, sod, and landscape plantings;
- site assembly for lands to be used for transit infrastructure or capital investments, e.g., transit stations, station platforms, and park-and-ride facilities;
- building construction, rehabilitation and “affordability gap” and “value gap” financing;
- pollution cleanup;
- relocation costs; and
- licenses, permits, fees, planning and administrative costs.

More detail on eligible and ineligible LCDA costs is available on the Council’s website.

Evaluation process for Development grants

LCDA applications are evaluated in a two-step process. A staff evaluation team reviews and scores eligible Development grant proposals using the Step One evaluation criteria and guidelines. Step Two of the evaluation process is conducted by the 13-member Livable Communities Advisory Committee, which makes funding recommendations to the Council. The Committee includes members representing six areas of expertise to provide the range of skills and experience necessary for evaluating the complex LCDA applications. Two members are selected for each of the areas of expertise: local government (planning, economic or community development); development finance (one member in private finance, one in public finance); development (one member in new development, one in redevelopment); transportation; environment; and site design. The LCAC chair, not representing a specific area of expertise, is the 13th member.

Step One Evaluation Criteria for Development Grants: 60 possible points	
Applications must score 30 or more points to advance to the Step Two evaluation process. A staff evaluation team will review and score eligible proposals using the Step One evaluation criteria and guidelines:	
Land use criteria	**Possible Points**
How well the project will use land efficiently and will achieve:	
Development that intensifies land use and increases density to a level that maximizes the potential of the location.	8
Developed land that is linked to the local and regional transportation systems. Applications will receive a score from **one** of the three following categories:	
• A TIA designated by DEED (i.e., 53 station areas along the Northstar commuter rail line, Hiawatha LRT, Central Corridor LRT, Southwest Corridor LRT, Cedar Avenue BRT or the I35W BRT); **or**	5
• One half mile radius of a park-and-ride facility on an express commuter bus or express bus route or within a one-quarter mile radius of a fixed stop on a high-frequency bus route; **or**	3
• One-half mile radius of a stop on future arterial BRT corridors, stations under study along the Bottineau, Rush Line or Red Rock transitways; or potential stations along future transitways where no mode or stations have been identified.	1
Development that is designed in relationship to the regional transit system by providing optimal convenience for pedestrian access to transit.	5
Connections between housing and centers of employment, education, retail, and recreation uses.	8
A developed range of housing densities, types and costs.	8
Development that is sensitive to the environment and that conserves, protects and enhances natural resources.	8
Tools and Processes	
The extent to which the application includes tools and processes to ensure successful outcomes, as appropriate to the project, including pertinent and effective regulatory tools; partnerships among government, private for-profit and nonprofit sectors; community participation; local vision and leadership.	8
Housing Performance Score	
The applicant's Housing Performance Score will be converted from a 100 point scale to a 10 point scale. If a proposed project includes new affordable housing or if affordable housing is located within the project site/area, the proposal will be held harmless by assigning the higher of the community's actual score or the average score for this section from all proposals.	10

Step Two Evaluation Criteria for Development Grants – 50 possible points	
The LCAC will score proposals according to the evaluation and selection criteria in Step Two. **To be considered for funding, proposals must score 30 or more points of a possible 50 points in the Step Two evaluation** or be supported by a majority of the advisory committee members voting.	
Innovation and demonstration	**Possible points**
The extent to which the project demonstrates for the community and for the region: • new development concepts or elements in one or more of the scoring areas covered in the Step One evaluation process; • other innovation; or • serves as a model of LCDA goals.	30
How LCDA funding is a catalyst for the project	
The extent to which LCDA funding will be a catalyst to implement the project of which it is a part.	10
Readiness assessment	
The extent to which the proposed project is ready and able to use an LCDA grant, if awarded, within the 36-month grant term. The readiness assessment includes: • the status of implementation tools – e.g., zoning codes and other official controls, design standards, or development standards; • 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 2011, and other indicators of readiness; and • whether grant funds have been expended for or progress has been made on a prior LCDA development or opportunity grant for the same project or a related project.	10
Total	**50**

Section 6: Competitive process, eligible and ineligible uses for Pre-Development grants

Eligible projects

A project eligible for consideration for a Pre-Development award is one that proposes activities necessary to develop project and/or site-specific plans that meet the statutory requirements as stated on page 21. Eligible activities are those that would result in a project that will exemplify LCDA goals and, potentially, compete for future LCDA Development funding.

Additional award limits for Pre-Development grants

Pre-Development grant awards will not exceed $100,000. See also the general LCDA award limits on page 21.

Eligible uses for Pre-Development grants

Professional services associated with the following activities for the project area identified in the application:

- conducting design workshops resulting in development alternatives;
- preparing detailed redevelopment plans, corridor or station area plans;
- developing zoning and land use implementation tools such as overlay zones or zoning districts;
- analysis of alternatives for market mix, land use mix, economic feasibility, or for air, water, or energy issues;
- soil testing to determine land uses that are feasible on the site;
- site-specific surface water management;
- development staging plans; and/or
- determining strategies for land banking and land acquisition.

Ineligible uses for Pre-Development grants

Ineligible uses include:

- all costs eligible for LCDA Development grants, including land acquisition, demolition, infrastructure, construction costs;
- applicant's administrative overhead;
- costs for activities conducted prior to the date of the grant award;
- costs associated with preparing comprehensive plans;
- legal fees, local permits, licenses or authorization fees;
- travel expenses, food and beverages;
- costs associated with preparing other grant proposals;
- printing costs;
- salary costs, other than those contributed as part of the applicant's proposed match; and/or
- marketing expenses.

Local funding match

A twenty-five percent documented local match is required for Pre-Development grants. Matches may be made in cash or in-kind or a combination of the two. Information describing match requirements is included in the application materials.

Evaluation process for Pre-Development grants

The LCDA Pre-Development application evaluation process is identical to that of Development applications (see page 22).

Step One Evaluation Criteria for Pre-Development Grants - 50 possible points	
Applications must score 30 or more points to advance to the Step Two evaluation process. A staff evaluation team will review and score eligible proposals using the Step One evaluation criteria and guidelines:	
Land use criteria	**Possible points**
Applications will be evaluated on the degree to which the proposed activities will *enhance the potential for a* ***future development project*** to:	
Intensify land use by planning to add buildings or other uses and increase density to a level that maximizes the potential of the location	8
Improve the balance between jobs and housing and establish a connected development pattern between housing and centers of employment, education, retail and recreation uses.	8
Diversify housing options within the future development site, neighborhood and community.	8
Develop land uses linked to the local and regional transportation systems. Applications will receive a score from **<u>one</u>** of the three following categories:	
• A TIA designated by DEED (i.e., 53 station areas along the Northstar commuter rail line, Hiawatha LRT, Central Corridor LRT, Southwest Corridor LRT, Cedar Avenue BRT or the I35W BRT); **or**	5 or
• One half mile radius of a park-and-ride facility on an express commuter bus or express bus route or within a one-quarter mile radius of a fixed stop on a high-frequency bus route; **or**	3 or
• One-half mile radius of a stop on future arterial BRT corridors, stations under study along the Bottineau, Rush Line or Red Rock transitways; or Potential stations along future transitways where no mode or stations have been identified	1
Achieve development that is designed in relationship to the regional transit system and transportation by providing optimal convenience for pedestrian access to transit.	5
Provide opportunities to employ natural resources, where feasible and appropriate, as community connections, assets and amenities.	8
Local planning and implementation processes	
The extent to which the proposed activities will enhance the potential for the future development project to: • implement the applicant city's local comprehensive plan; • help achieve the city's negotiated affordable and lifecycle housing goals; • implement any redevelopment plans, corridor or other local plans applicable to the identified project area; and • the extent to which the proposed grant activities appropriately support the intent of the proposal.	8
Total	**50**

<table>
<tr><th colspan="2">Step Two Evaluation Criteria for Pre-Development Grants – 50 possible points</th></tr>
<tr><td colspan="2">The LCAC will score proposals according to the evaluation and selection criteria in Step Two. To be considered for funding, proposals must score 30 or more points of a possible 50 points in the Step Two evaluation or be supported by a majority of the advisory committee members' votes.</td></tr>
<tr><td colspan="2">Innovation and demonstration</td></tr>
<tr><td>The extent to which the proposed activities will enhance the potential for the future development project to demonstrate new development concepts or elements in one or more of the scoring areas:
use land efficiently to maximize the potential of the project location;
link land uses to transportation and transit, where available, and maximize major state transportation investments;
connect housing and centers of employment, education, retail, civic uses and recreation;
provide a range of housing densities, types and costs;
conserve, protect and enhance natural resources through development that is sensitive to the environment;
utilize tools and processes to develop and implement the project, including consistency with area, neighborhood, corridor or other plans adopted by the municipality;
represent a model, in whole or in part, for the community it is located in and for the region; or
represent other innovation not covered in the above categories.</td><td>20</td></tr>
<tr><td colspan="2">LCDA funding as a catalyst</td></tr>
<tr><td>The extent to which the LCDA funding will be a catalyst to implement development in the project area.</td><td>10</td></tr>
<tr><td colspan="2">Other criteria</td></tr>
<tr><td>Local leadership, political commitment and community involvement to date.
The potential for meaningful and appropriate public involvement in carrying out the activities funded by an LCDA Pre-Development grant.
The potential for a project implementation process that includes appropriate partners and coordination to ensure successful project implementation.
The degree to which the project presents an opportunity to capitalize on unique opportunities offered by the project area. Additionally, would opportunities presented by the project area be jeopardized if the applicant does not act in a timely way to direct the development process?
The potential to enhance major regional investments.
The potential for replication of the project, key elements of the project, or the project type.</td><td>20</td></tr>
<tr><td>Total</td><td>50</td></tr>
</table>

Section 7: Reporting requirements

LCDA grantees are required to make periodic progress reports. Detail supplied with payment requests comprises the bulk of these progress reports. When the grant is closed, the grantee's chief financial officer must certify to the appropriate expenditure of funds, and a final progress report is required.

Local Housing Incentives Account

2011
Funding Schedule,
Funding Criteria
and
Selection Process

Local Housing Incentives Account 2011 Funding Schedule

2011 available funding: $2.6 Million

Ownership Programs

Month	Activity
April	MHFA/MHIG Issues Notice of Funding Availability
June	Application deadline
July-August	MHFA/MHIG staff review applications
September	MHIG application evaluation and selection meeting
October	MHFA Board acts on recommendations from MHIG for RFP selections
November	Community Development Committee recommends grant awards
December	Metropolitan Council awards grants

Rental Programs

Month	Activity
April	MHFA/MHIG issues Notice of Funding Availability
June	Application deadline
July-August	MHFA/MHIG staff review applications
September	MHIG application evaluation and selection meeting
October	MHFA Board acts on recommendations from MHIG for RFP selections
November	Community Development Committee recommends grant awards
December	Metropolitan Council awards grants

Local Housing Incentives Account

Section 1: Background and purpose

The Metropolitan Livable Communities Act[10] (LCA) established the requirements for the distribution of Local Housing Incentives Account (LHIA) funds to help cities meet their negotiated affordable and lifecycle housing goals. To implement the LHIA, the Metropolitan Council (Council) partners with the Minnesota Housing Finance Agency, the Family Housing Fund and others—collectively 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: New LHIA elements for 2011

There are no new LHIA elements for 2011.

Section 3: Partnerships and coordination

The Council, as a member of the MHIG, participates in the annual issuance of a Request for Proposals (RFP) and in the evaluation process for home ownership and multifamily rental housing programs. The RFP is advertised in the State Register and on the Council and Minnesota Housing websites, and an electronic notification is sent to all communities participating in the Local Housing Incentives Program.

Section 4: Application process

Applications are submitted to Minnesota Housing for consideration for LHIA funding and all other funding available through the MHIG.

Receptivity form

Any proposal for funds under this program must include an Acknowledgement of Receptivity form from the local unit of government within which the project is proposed.

Section 5: Competitive process, eligible and ineligible uses for LHIA grants

Eligible uses for LHIA grants

Eligible uses of funding include:

- gap financing costs, including land acquisition;
- property (structure) acquisition;
- demolition;
- site preparation (e.g., water, sewer, roads);
- general construction/structural additions;
- alterations and rehabilitation;

[10] MN Statutes §473.254, Subd. 6

- interior and exterior finishing;
- roofing;
- electrical;
- plumbing; and
- heating and ventilation.

Ineligible uses for LHIA grants

Soft costs, such as:

- administrative overhead;
- bonds and insurance;
- legal fees;
- permits;
- travel;
- grant/bid preparation costs;
- architects' fees; or
- holding costs (e.g., property taxes, utilities[11], property maintenance, or interest)

Competitive process for LHIA grants

Because LHIA grants are awarded through a joint process with MHIG, there are multiple sets of criteria that apply during the competitive process.

MHIG criteria

Applicants apply for LHIA funds through the Super RFP and Application distributed by the Minnesota Housing Finance Agency (http://mnhousing.gov). 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;
- adhering to green development criteria. For the specific criteria and more information, see the following website: http://www.mnhousing.gov/idc/groups/public/documents/document/mhfa_006584.pdf; and

[11] Utilities may be eligible to support renovation activities.

- locating developments within walking distances of public transit stations and stops.

Metropolitan Council project eligibility 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 eligible applicant receiving the funds (see definition of *eligible applicants* on page 3). LHIA grant funds may be used for costs associated with projects that help eligible applicants meet their negotiated LCA housing goals, including, but not limited to acquisition, rehabilitation and construction of permanent affordable and lifecycle housing.

Threshold and competitive criteria

- 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 (AMI).
- The LHIA contribution to fill the gap in homebuyer programs will be limited to no more than one-half of the difference between the purchase price of the home and the total per-unit hard costs.
- For each funding round, priority will be given to ensure 50 percent of the funds are directed to rental proposals creating/preserving affordability to persons at or below 30 percent of AMI.

Among these proposals, further priority will be given to those meeting the needs of the chronically homeless.

Other considerations

Funding preference will be given if:

- A municipality currently has a net fiscal disparities contribution of $200 or more per household.
- A municipality does not use its Affordable and Lifecycle Housing Opportunity Amount (ALHOA) expenditure as the source for its matching funds.
- A municipality has a lower Housing Performance score than the other proposals being consider for funding.

Evaluation process

All proposals received through the RFP process are reviewed by Minnesota Housing staff for completeness and evaluated pursuant to the MHIG criteria to determine the extent to which proposals meet one or more of the criteria.

Proposals meeting baseline criteria are then reviewed by a selection committee consisting of representatives of the MHIG, including staff from Minnesota Housing, the Council and the Family Housing Fund. Proposals are discussed regarding their overall concept, consideration of the joint selection criteria and individual funder’s criteria, as well as any funder’s past experience with the applicant, previous funding allocations, and familiarity with the project or expertise related to any aspect of the proposals. The selection committee then rates the proposals on the applicant’s organizational capacity to deliver the project and the feasibility of the proposal. Funds are then allocated to each proposal based on its composite rank, and the best use of each of the MHIG funding sources.

Section 6: Reporting requirements

LHIA grantees are required to submit periodic progress reports. The detail supplied with payment requests comprises the bulk of the progress reports, which are augmented with semi-annual reports. A final progress report is required with the last payment request. When the grant is closed, the grantee's chief financial officer is required to certify to the appropriate expenditure of funds.

Land Acquisition for Affordable New Development

2011
Funding Schedule,
Funding Criteria
and
Selection Process

Land Acquisition for Affordable New Development Funding Schedule

2011 available funding: $1,956,500

Month	Activity
April	MHFA/MHIG issues Notice of Funding Availability
June	Application deadline
July-August	MHFA/MHIG staff review applications
September	MHIG application evaluation and selection meeting
October	MHFA Board acts on recommendations from MHIG for RFP selections
November	Community Development Committee recommends loan commitments
November-December	Metropolitan Council awards loan commitments

Land Acquisition for Affordable New Development

Section 1: Background and purpose

The Land Acquisition for Affordable New Development (LAAND) program is an initiative of Minnesota Housing, the Metropolitan Council (Council) and the Family Housing Fund (collectively, the "Funders") that provides loan financing to encourage communities to meet their affordable housing need by taking advantage of current land prices and purchasing land to be held for future affordable housing development.

The LAAND initiative integrates local control with Council priorities. The program prioritizes land that is close to job growth areas or significant numbers of lower wage jobs, allows for density that is consistent with achieving affordability, minimizes vehicle miles traveled, and implements Green Communities criteria, Minnesota Overlay or comparable programs in the development process.

The Funders have collaborated to develop the parameters for funding land acquisition. In 2011, the Council is making up to $1,956,500 available for land acquisition activities through the LAAND program. LAAND funds originate in the Livable Communities Demonstration Account, and therefore may be awarded only to communities participating in the LCA program.

Section 2: New LAAND elements for 2011

The following modifications have been made to the LAAND loan program for 2011:

- For LAAND loans, the awardee must purchase the property within two years after the award of the loan and an amount of up to 5% of the loan will be provided as a grant to the borrower to help cover the acquisition and holding costs on the property prior to the sale of the property to a developer.
    - Previously, the awardee was required to purchase the property within one year of the loan award, and there was no provision to assist the borrower with acquisition and holding costs.
- For LAAND loans, the awardee will be allowed to negotiate a purchase agreement on the property up to 12 months prior to making their LAAND application.
    - Previously, the awardee had been prohibited from having negotiated a purchase agreement for the property prior to receiving the LAAND award.

Section 3: Partnerships and coordination

The Council, as a member of the MHIG, participates in the annual issuance of a Request for Proposals (RFP) and in the evaluation process for home ownership and multifamily rental housing programs and for the LAAND program. The RFP is advertised in the State Register and on the Council's and Minnesota Housing websites, and an electronic notification is sent to all communities participating in the Local Housing Incentives Program.

Section 4: Application process

Applications are submitted to Minnesota Housing for consideration for LAAND funding through the RFP process.

Eligible applicants

Eligible applicants are defined on page 3 of this Fund Distribution Plan. The loan awardee must be willing to accept the loan, be responsible for purchasing and owning the property ("Property"), and for repaying the loan.

Local resolution and Receptivity Form

Any proposal for LAAND funds must include an Acknowledgement of Receptivity and a resolution from the local unit of government within which the project is proposed. The resolution must affirm that the unit of government is willing to accept and will be responsible for administering the loan agreement between the Council and the local unit of government.

Section 5: Competitive process, eligible and ineligible uses for LAAND loans

Eligible uses

Land acquisition. The LAAND initiative is intended to help defray land costs and hold Property for affordable housing development. Awardees must use the LAAND funds to acquire sites for affordable housing that are consistent with the community's future affordable housing needs and the stated strategic growth goals, as stated in the community's comprehensive plan, in areas where land costs would otherwise pose an impediment to affordable housing development.

Projects constructed on land acquired through the LAAND program shall include housing, of which a minimum of 20 percent of the units must be affordable to families earning 60 percent of Area Median Income (AMI) in the metro area.

The awardee must complete its purchase of the Property no later than two years after the date of the LAAND award.

Development of the Property purchased with LAAND funds may not commence within one year of execution of the loan agreement but must commence within five years of execution of the loan agreement. Awardees may work with a developer of their choice to develop the site and determine their own structure for the transfer of ownership, if applicable.

The awardee shall submit updated plans three years from the date of the loan agreement, describing the number of units anticipated for the site and verify that all comprehensive plans, zoning, or other regulatory changes have been or will be implemented in preparation for development.

Costs related to acquisition and holding. An amount of up to five percent of the loan will be awarded as a grant to be used for acquisition and holding costs incurred by the awardee. Acquisition and holding costs include appraisals, environmental site assessments, taxes, insurance and site maintenance (i.e., snow removal, grass cutting, pest control, etc.) for the Property and are payable to the grantee upon request after the costs are incurred.

Ineligible uses

To ensure that LAAND funds are used to acquire land for future development and not used to reduce financing costs for projects already underway at the time of the application or prior to the execution of the Council's LAAND loan agreement, neither awardees nor any potential developers may own the Property for which LAAND loan funds will be used prior to the LAAND award or may have taken formal steps, other than an option or a purchase agreement, to acquire the property.

LAAND awards may not be used for:

- refinancing the subject Property;

- other pre-development costs such as platting, interest, demolition or soil correction; or
- holding costs paid by the recipient that are greater than five percent of the loan award.

Competitive process

Because LAAND loans are awarded through a joint process with MHIG, there are multiple sets of criteria that apply during the competitive process.

Funding requirements and priorities

Location of the Property must be consistent with the following strategic growth concepts:

- the Property is within the Metropolitan Urban Service Area (MUSA) line or in the next staging area for MUSA expansion or an area of local wastewater service expansion prior to 2020 as reflected in the community's comprehensive plan (seven-county metropolitan area only);
- infrastructure improvements must be programmed to coincide with the development of the site;
- adjacent land must also be planned for development prior to 2020, including land guided for commercial development;
- housing developed on the Property must meet the density requirements of the Green Communities criteria, Minnesota Overlay; and
- affordable housing must facilitate economic integration either within the planned development on the site purchased with the loan or in the broader community.

Development sites meeting one or more of the following priorities will be given greater consideration for funding:

- sites located within one-half mile of a Transit Improvement Area (TIA) designated by the Minnesota Department of Employment and Economic Development (DEED) or a park-and-ride facility on an express commuter bus or express bus route;
- sites receiving financial or in-kind contributions by local unit of government or employers that improve the affordability of the housing to be developed; or
- sites proximate to employment centers, or in areas of expected job growth, or with low wage jobs as a greater share of local employment as compared to the regional average in the Metropolitan Area or the statewide average if outside of the metropolitan area.

Appraisals

Before the LAAND loan agreement is executed, the awardee will secure an appraisal of the Property that will be purchased with LAAND loan funds. The awardee must select appraisers based on criteria established by the Council. The loan amount will not exceed this appraisal.

When the awardee sells the property to a developer, the price stated in the purchase agreement between the awardee and the developer must be based upon a second appraisal of the property. If the awardee is also the developer, the awardee will not begin development of the Property until the awardee has obtained a second appraisal to determine the value of the property at the time of development.

Loan repayment

Repayment timing. Repayment of the appraised value of the Property is required at the time of sale of the Property. The appraisal must be completed prior to construction and take into consideration the value of the Property, based on it being planned and zoned for the contemplated development.

Land appreciation. LAAND loans are interest-free loans. However, if the value of the Property has appreciated since the original purchase with LAAND loan funds, the proceeds from the sale of the Property shall be distributed in sequence as follows:

- The principal amount of the loan shall be repaid to the Funders.
- A portion of the appreciated value equal to the ratio of affordable units to total units in the development shall be retained by the developer.
- If available, the appreciation shall be repaid to the Funders:
  - The specific uses of the balance of the appreciation in value shall be determined by the parties to the land at the time of the sale of the Property. If no agreement is reached, the balance of the appreciation in value shall be repaid to the Funders.
  - If the value of the Property at the time of sale has not appreciated or has depreciated since the loan was issued and the Property was acquired, any deficiency in the loan will be forgiven. At the time of the sale, the loan amount or the appraised value of the Property, whichever is less, must be repaid to the Funders.

The recipient of the loan must repay the loan plus all appreciation in value if:

- the Property is not developed within the required time frame;
- the required number of affordable units is not developed on the Property; or
- the Property is sold for development other than the development identified in the Awardee's application.

Long term affordability

A seven-year minimum period of affordability is required for homeownership units. The affordability term for rental housing projects will be determined by the source of permanent financing for the development. The affordability implementation mechanisms are local choice. Highest priority will be given to awardees who require the longest term of affordability of the units.

Other considerations

- As long as the awardee owns the Property, the awardee will be responsible for the property and all holding costs associated with the Property until the Property is sold for development.
- LAAND agreements are not assignable, and awardees cannot re-lend LAAND funds to another party.
- The Funders will take a security interest in the Property acquired.
- LAAND funds cannot be used to supplant other funding already available for the Property.

Evaluation process

All proposals received through the RFP process are reviewed by Minnesota Housing staff for completeness and evaluated pursuant to the MHIG criteria to determine the extent to which proposals meet one or more of the criteria.

Proposals meeting baseline criteria are then reviewed by a selection committee consisting of representatives of the MHIG, including staff from Minnesota Housing, the Council and the Family Housing Fund. Proposals are discussed regarding their overall concept, consideration of the joint selection criteria and individual Funder's criteria, as well as any Funder's past experience with the applicant, previous funding allocations, and familiarity with the project or expertise related to any aspect of the proposals. The selection committee then rates the proposals on the proposer's organizational capacity to deliver the project and the feasibility of the proposal. Funds are then allocated to each proposal based on its composite rank, and the best use of each of the MHIG funding sources.

Section 6: Reporting requirements

LAAND awardees will be required to submit a status report at least annually on the status of their loan-funded activities.