

C Community Development Committee
Meeting date: May 21, 2012
For the Council Meeting of June 13, 2012

ADVISORY INFORMATION

Date:	May 16, 2012
Subject:	Amendment to the 2012 Annual Livable Communities Fund Distribution Plan, Transit Oriented Development Grants
District(s), Member(s):	All
Policy/Legal Reference:	M. S. Section 473.25
Staff Prepared/Presented:	Paul Burns, Manager, Livable Communities 651-602-1106; Beth Reetz, Director, Housing and Livable Communities 651-602-1060
Division/Department:	Community Development, Housing and Livable Communities Act Communities

Proposed Action

To amend the 2012 Annual Livable Communities Fund Distribution Plan http://councilmeetings.metc.state.mn.us/council_meetings/2012/0328/0328_2012_91.pdf, by replacing the Transit Oriented Development Program Chapter with the attached revised chapter to establish funding levels and make clarifications and improvements to the 2012 TOD grant programs.

Background

On March 28, 2012, the Council adopted the 2012 Annual Livable Communities Fund Distribution Plan. At that time, Council staff was still reviewing grant applications for the first ever round of Livable Communities Transit Oriented Development (TOD) grants. In response to the experience of that first round of grant applications, Council staff is now recommending a few changes to the Transit Oriented Development grants chapter of the 2012 Annual Livable Communities Act Communities Fund Distribution Plan in order to make slight improvements and changes to the process and criteria. The recommended changes are:

- Funding levels of \$6 million for Livable Communities Demonstration Account (LCDA) TOD grants and \$3 million for Tax Base Revitalization Account (TBRA) grants.
- A limit of up to \$500,000 of the \$6 Million of LCDA TOD for Pre-development grant awards.
- A clarification to reflect that Cities must *allow* residential densities and floor area ratios of stated levels for some portion of land within the TOD Area rather than *require* the stated levels throughout the TOD Area as was misunderstood by some applicants.
- The grouping of criteria is reflected differently in the document for ease of evaluation, but the criteria remain the same.
- The evaluation process for applications requesting funds for development and/or cleanup activities will be done in a two step process, with an internal staff review

team completing Step One and members of the Livable Communities Advisory Committee completing Step Two. Funding recommendations will be based on the total score earned by an application from Step One and Two combined.

- The respective weighting is shifted only slightly by adding five points to the transit/design/ridership impacts section of Step One making it equal to the points associated with the Housing points section, and reducing the readiness score by five points in Step 2.
- The evaluation process for application requesting funds for pre-development and/or site investigation activities will be done in a one step process completed by an internal staff review team only.

Rationale

Council staff tracked questions and feedback received from applicants during the application and review process, conducted post review sessions with the internal staff review team and considered the overall experience of the grant application and review process. In terms of the success of the process and quality of the projects earning grant awards, the Council's objectives in creating the TOD grant category were met and therefore minor changes are being recommended.

Funding

The recommended levels of funding for the Livable Communities Transit Oriented Development grant categories will use most of the remaining LCDA TOD funding and leave approximately \$6 million in TBRA funds originally set aside for TOD grants. Council staff considered levels of LCDA and TBRA funding being made available through the regular programs at the same time the TOD funds will be available when determining recommended funding levels.

Known Support / Opposition

Staff is unaware of any support or opposition to this recommended amendment.

Transit Oriented Development Programs

Transit Oriented Development Funding Schedule

2012 Available Funding

TBRA TOD Grants: \$3 Million

LDCA TOD: \$6 Million - including up to \$500,000 for Pre-development Grants

Application Type	Funding Category Options	Month	Activity
Development Pre-Development	TBRA site investigation TBRA Clean-up LCDA Pre-development LCDA Development	June 2012	Notice of Funding Availability
		August 2012	Applications Due
		December 2012	Community Development Committee recommends grant awards
		January 2013	Metropolitan Council awards grants

Tax Base Revitalization and Livable Communities Demonstration Accounts

Transit Oriented Development Grant Category

Section 1: Background and purpose

The Metropolitan Livable Communities Act¹ (LCA) created both the **Tax Base Revitalization Account** (TBRA) and **Livable Communities Demonstration Account** (LCDA) to promote the purposes of the Act and the policies of Metropolitan Development Framework.

The purposes of the Livable Communities Act include to:

- create incentives for all communities to implement compact and efficient development;
- interrelate development or redevelopment and transit;
- intensify land use that leads to more compact development or redevelopment; and
- 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.

The Framework policies include to:

- develop land uses in centers linked to the local and regional transportation systems;
- efficiently connect housing, jobs, retail centers and civic uses;
- conserve, protect and enhance natural resources by means of development that is sensitive to the environment.

High density, mixed-use development adjacent to transit stations using pedestrian friendly design standards is known as transit oriented development. Adding a new grant category, within the Livable Communities Demonstration Account and Tax Base Revitalization Account, to incent transit oriented development, meets the purposes of the LCA and Development Framework and will help demonstrate that increasing density around transit stations increases transit ridership and reduces automobile ownership, vehicular traffic, and associated parking requirements that would otherwise be necessary to support a similar level of more traditional development.

Additional TBRA and LCDA funds are available at this time for the TBRA and LCDA Transit Oriented Development grant category because:

- previously awarded grants, in which the development did not move forward within the grant period (primarily due to the downturn in the economy) have been relinquished by the grantees, and,
- levies set aside per legislation passed in 2009 authorizing the Council to use up to one half of the LCDA and TBRA levies in years 2009, 2010, and 2011 if needed for transit operations were not used for this purpose. This authorization sunsetted in 2011.

The funding amounts available for the regular TBRA and LCDA grant categories will remain available and unchanged. The additional funds made available for the TOD grant category will enable strong TOD projects to compete in the TOD funding cycle while enabling requests for developments less proximate to transit stations to better compete in the regular TBRA and LCDA funding cycles.

¹ MN Statutes §473.252

Section 2: New elements for LCA TOD awards for 2012

- A limit of up to \$500,000 of the \$6 Million of LCDA TOD has been set aside for Pre-development grant awards
- Wording has been clarified to reflect that Cities must *allow* residential densities and floor area ratios of stated levels for some portion of land within the TOD Area rather than *require* the stated levels throughout the TOD Area
- For ease of evaluation, scoring criteria groupings are reflected differently in the document, but the criteria remains the same. The respective weighting has been shifted only slightly by adding five points to the transit/design/ridership impacts section of Step One making it equal to the points associated with the Housing points section, and reducing the readiness score in Step 2.
- The evaluation process for applications requesting funds for development and/or cleanup activities will be done in a two step process, with an internal staff review team completing Step One and members of the Livable Communities Advisory Committee completing Step Two. Funding recommendations will be based on the total score earned by an application from Step One and Two combined.
- The evaluation process for application requesting funds for pre-development and/or site investigation activities will be done in a one step process completed by an internal staff review team only.

Section 3: Partnerships and coordination

TBRA TOD 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.

LCDA TOD 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), or TIA-eligible Areas, as described in Section 5 below.
- 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 a LCA TOD application packet by downloading it from the Council's website. The application packet consists of the Application Guide, Sources and Uses spreadsheet, and the application.

Local resolution

Number of Applications

Cities are limited in the number of applications they may submit. This limit includes those submitted by all entities within the City (i.e. the city, economic development authority, port authority, etc) and applications submitted by counties on behalf of cities. Applicants submitting more than one application per funding cycle must provide the Council with their prioritization of the proposals at the time of application.

- No more than 3 applications for LCDA TOD (Development and Pre-development combined) may be submitted by a single city in any application cycle.
- No more than 6 applications for TBRA TOD (Cleanup and Site Investigation combined) may be submitted by a single city in any application cycle.

Award limits

- TBRA Cleanup-Site Investigation, regular and TOD - \$100,000
- LCDA Pre-development, regular and TOD – \$100,000
- TBRA TOD Cleanup- \$1,000,000
- LCDA TOD Development – \$1,000,000 for requests not involving site acquisition; **or** \$2,000,000 for requests involving site acquisition.
- No one city/applicant will be awarded more than 50% of LCDA TOD funds in any TOD funding cycle.
- According to statute, if TBRA grant applications 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).
- The award limit guideline listed in the LCDA program guide does not apply to the LCDA TOD grant awards; however, the Council will consider geographic distribution and station area/bus stop types when making LCDA TOD grant award decisions.

Section 5: Competitive process, eligible and ineligible uses

Eligible Applications

An application eligible for consideration for a TBRA TOD or LCDA TOD grant category award is one where the proposal pertains to activities within a **TOD Area** defined as:

1. A **DEED designated Transit Improvement Area (TIA)** or TIA eligible station area located along light rail, commuter rail and bus rapid transit transitways operational by 2020 (Hiawatha LRT, Northstar Commuter Rail, Central LRT, Southwest LRT, I-35 BRT, and Cedar BRT)

2. Areas within ¼ mile all along high frequency* local bus lines
3. Areas within a 1/2 mile radius of bus stops/stations on **high frequency express routes**** where significant passenger infrastructure is in place.

***High frequency local bus service =**

Bus service running at least:

- o Every 15 minutes (or better)
- o 6 am to 7 pm weekdays
- o 9 am to 6 pm Saturdays

****High frequency express bus routes on or outside the I 494/694 Freeways=**

Bus service running at least:

- o 6 trips during at least one hour of the am peak hours of 6-9 AM and
- o Every 10 minutes during the am peak hour

In the TBRA TOD grant category, eligible applications include requests for contamination site investigation and cleanup in support of both specifically identified development or redevelopment Projects, or anticipated future development or redevelopment Projects.

In the LCDA TOD grant category, eligible applications include requests for public infrastructure, site acquisition, building demolition and site preparation in support of both specifically identified development or redevelopment Projects, or anticipated future development or redevelopment Projects.

Applications that lack an identified Project with a development partner(s), must describe how the activity will provide market certainty to leverage private investment or will improve the cost effectiveness of the public investment, and have an estimated timeline for expected future development or redevelopment Project(s).

Eligible Uses for Grants

In addition to the eligible uses for TBRA Site Investigation and Cleanup grants (found in the TBRA program guide) and eligible uses for LCDA Development and Pre-Development grants (found in the LCDA program guide) the following uses are eligible:

- For site acquisition, funds can be used for associated holding costs prior to development.
 - o Eligibility for holding costs can also apply when the grant request does not include the cost of site acquisition.
 - o Holding costs are limited to no more than five percent of acquisition costs, not to exceed \$100,000
- For site acquisition, funds can be used to reimburse a non-profit or socially responsible for profit developer, for sites previously acquired within 12 months of the application date for projects that will lead to the development of affordable housing or will result in jobs retained, created, or made more accessible to low-income and underserved populations including opportunities for entrepreneurship.
- For site acquisition, funds can be used for site preparation costs such as building demolition and other costs to prepare the site for future development.

Ineligible Uses for Grants

The same ineligible uses as stated in the TBRA and LCDA program guides for other TBRA and LCDA grant categories, with no changes, are also ineligible for TBRA TOD and LCDA TOD.

Evaluation Process

The Evaluation Process includes both Threshold Criteria and Ranking Criteria.

Threshold Criteria:

To compete in the TBRA TOD and LCDA TOD grant categories, **all** threshold criteria must be met.

If not already met, the applicant must agree it will fulfill all threshold criteria within 36 months of the grant award. Note: Cities awarded TOD funds will be required to report annually on their progress toward achieving each of these thresholds. The Council reserves the right to recover grant funds from Cities awarded TOD funding that fail to achieve the thresholds during the allotted 36 months.

A staff evaluation team will review the application to determine if the proposal meets the threshold criteria. Only proposals that have met **all** threshold criteria will move on to the Ranking Criteria process.

Required Threshold Criteria: must be in place or will be in place within 36 months of the grant award.		
Land Use Criteria in the TOD Area <u>and</u> applicable to the development supported by the grant		
Local official controls, applicable within the TOD Area, are consistent with the Metropolitan Council's Guide for Transit Oriented Development by allowing development at:		
Residential Densities of: 30-75 units/acre for Rail OR 15-50 units/acre for Bus	Pass	Fail
Floor Area Ratios of: 1.5 to 3.0 for Rail OR .5 to 3.0 for Bus		
Employees per acre of 50-200/acre at employment cluster sites		
Transit Oriented Development Design Features in the TOD Area		
Local planning within the TOD Area demonstrates: <ul style="list-style-type: none"> minimal building setbacks, short blocks with pedestrian connections adjacent to the buildings, optimal pedestrian convenience between Station and other connecting transit a range of housing densities, types and costs connections between housing, retail, employment centers and recreational uses cycling and walking conveniences current and future employment opportunities within the TOD Area and within the connecting transit corridor/corridors, and conservation, protection, and enhancement of natural resources residential and commercial parking is limited, shared between uses, located to the rear of buildings, and/or is structured 		
Equity Considerations within the TOD Area		
City has adopted a policy/plan/guideline or other official local control to:		
Address both the preservation of existing subsidized and naturally occurring affordable housing units in the TOD Area AND: the addition of affordable housing units in the TOD Area OR the addition of higher value housing in lower income areas to achieve a mix of housing opportunities		
Address how the applicant will proactively and intentionally address gentrification		
Consistency with other Plans/Initiatives/Programs		
The TOD Area planning is consistent with the city's comprehensive plan		
The City has adopted the vision, goals, and principles promoted by the Corridors of Opportunity Initiative including the principle of Equitable Development		
Return on Public Investment		
The proposed activity will have the potential to enhance the tax base of the City within the TOD Area		

Ranking Criteria for Development Proposals:

The LCA TOD Development applications will be evaluated in a two-step process. A staff evaluation team will review and score eligible Development grant applications using the Step One evaluation criteria and guidelines. Step Two of the evaluation process will be conducted by members of the Livable Communities Advisory Committee (LCAC). The LCAC includes members representing areas of expertise to provide the range of skills and experience necessary for evaluating the complex LCA TOD applications. For the purposes of LCA TOD applications, in contrast to the regular LCDA program, Step Two scores will be added to Step One scores for the overall ranking totals on which funding recommendations will be determined.

Step One Evaluation Criteria for Development Grants: 75 possible points	
Applications must score 45 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:	
	Points
Transit access/design/ridership impacts:	0-20
<ul style="list-style-type: none"> The degree to which the TOD Area provides the opportunity for residents and/or employees in that TOD Area to live or work there without reliance on an automobile, for meeting daily needs through the use of transit or walking, for reducing automobile ownership, vehicular traffic, and associated parking requirements that would otherwise be necessary to support a similar level of more traditional development. Proposal's ability to provide ridership impact 	
Housing:	0-20
<ul style="list-style-type: none"> The proposal's ability to produce affordable housing City has adopted affordability requirements for housing assisted with City funds or other fiscal devices applicable in the TOD Area 	
Jobs:	0-15
<ul style="list-style-type: none"> Proposal's ability to create or preserve employment opportunities within 24 months (for construction jobs) and/or 48 months (for permanent jobs) City has hiring and procurement goals and /or processes that advance and promote the employment of local workers and/or disadvantaged businesses 	
TOD Design:	0-15
<ul style="list-style-type: none"> Degree to which the City has formalized TOD guidelines Proximity/high visibility from Platform/Station area (higher points for proposals with a transit-oriented development and activities within walking distance to platform and with high visibility) Intensity of future use of the site 	
Leverage/Partnerships:	0-5
<ul style="list-style-type: none"> Partnership has been established with an existing funding commitment to advance the proposal and leverage other resources 	
TOTAL	75

Applications that successfully meet the Step One point threshold, will move on to the Step Two process.

Step Two Evaluation Criteria for Development Grants – 55 possible points	
The LCAC will score proposals according to the evaluation and selection criteria in Step Two.	
TOD Model/Demonstration Value	
<ul style="list-style-type: none"> Proposal's demonstration value and potential to provide area-wide benefits. Degree to which the proposal's development plan demonstrates TOD design features as listed under the threshold criteria <p>Consideration will be given to how well the proposal addresses the four criteria categories from the Step 1 process: Transit access/design/ridership impact, Housing, Jobs, and TOD Design.</p>	0-20
Catalyst	
<ul style="list-style-type: none"> Proposal's ability to be catalytic to attracting private sector investment 	0-10
Readiness	
<ul style="list-style-type: none"> Readiness and anticipated timeframe of development (higher points for proposals further to the right on predevelopment continuum and development projects closest to "shovel ready/ground breaking" stage) 	0-15
Housing Performance Score	
<ul style="list-style-type: none"> 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 a significant amount of affordable housing is already located within the project site/area, the proposal will be held harmless by assigning the higher of the community's actual performance score or the average performance scores from all proposals being evaluated. 	0-10
Total	55
Applications must score 80 or more points of the total 130 available points from Step 1 and Step 2 combined to be considered for funding.	

Ranking Criteria for Pre-Development Proposals:

Proposals seeking funding for site-investigation, pre-development activities, should apply in the Pre-Development grant category. The evaluation process for Pre-Development or site investigation only proposals will be conducted by the staff evaluation team using a One Step process only. The same ranking criteria categories, from Step 1, used for the Development proposals, will be used for the Pre-Development proposals, with the addition of the TOD Model and Readiness criteria from Step 2. The difference in the review process will be that Pre-Development proposals will be scored on the degree to which the proposed activities will enhance the potential for a **future** development or redevelopment project to exemplify the goals of the LCA TOD program.

Evaluation Criteria for Pre-Development Grants: 100 possible points	
Applications must score 60 or more points (60% of the available points) to be considering for a funding award. A staff evaluation team will review and score eligible proposals using the following evaluation criteria and guidelines:	
Applications will be evaluated on the degree to which the proposed activities will enhance the potential for a future development or redevelopment project to:	Points
Transit access/design/ridership impacts:	0-15
<ul style="list-style-type: none"> provide the opportunity for residents and/or employees in that TOD Area to live or work there without reliance on an automobile, for meeting daily needs through the use of transit or walking, for reducing automobile ownership, vehicular traffic, and associated parking requirements that would otherwise be necessary to support a similar level of more traditional development. provide ridership impact 	
Housing:	0-15
<ul style="list-style-type: none"> to produce affordable housing assist the city in meeting its affordable and life-cycle housing goals 	
Jobs:	0-15
<ul style="list-style-type: none"> create or preserve employment opportunities 	
TOD Design:	0-15
<ul style="list-style-type: none"> demonstrate TOD design features Intensify future use of the site 	
Leverage/Partnerships:	0-10
<ul style="list-style-type: none"> The potential for meaningful and appropriate public involvement in carrying out the activities funded by an LCDA Pre-Development grant. Financial commitment for the pre-development activities Political commitment for the future development or redevelopment project 	
TOD Model/Demonstration Value	0-10
<ul style="list-style-type: none"> The ability of the proposed pre-development activities to evolve into a future development or redevelopment project that could be a model of TOD, highlighting TOD design features. 	
Readiness	0-10
<ul style="list-style-type: none"> The extent to which the proposed project is ready and able to use a LCA TOD grant, if awarded, within the 24-month grant term. (Higher points will be given for proposals further to the right on predevelopment continuum. 	
Housing Performance Score: After the completion of the 60 point competitive scoring process, the Housing Performance Score will be applied to those applications that met the 60 point scoring threshold.	
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 a significant amount of affordable housing is already located within the project site/area, the proposal will be held harmless by assigning the higher of the community's actual performance score or the average performance scores from all proposals being evaluated.	0-10
TOTAL	100

Section 6: Reporting Requirements

Grantees are required to submit periodic progress reports. Until the first draw request is made, quarterly progress reports are required. Thereafter, 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.

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.

Grantees will be required to report on achieving the threshold criteria.

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.