

## Committee Report

# C Community Development Committee

Item: 2007-82

For the Metropolitan Council meeting of March 28, 2007

### ADVISORY INFORMATION

**Date Prepared:** March 20, 2007

**Subject:** 2007 Annual Livable Communities Fund Distribution Plan

#### Summary of Committee Discussion:

The Community Development Committee considered the elements of the *2007 Livable Communities Fund Distribution Plan* for the Tax Base Revitalization Account (TBRA), the Livable Communities Demonstration Account (LCDA), and the Local Housing Incentives Account (LHIA) during a presentation at their meeting on March 19.

Staff noted that the outcome of two Council LCA legislative initiatives could result in amendments to the amount of funding available for LCDA and TBRA grants and to the calendars and selection processes for those two accounts. The \$8 million LCDA funding amount included in the plan assumes passage of a legislative initiative to provide a one-time allocation of up to \$1 million from LCDA funds to the Council's planning assistance fund. If this legislation is not enacted, the plan notes that the amount of LCDA funding available for 2007 would increase by \$1 million.

The second initiative that might require more significant changes to the plan's funding amounts, calendars and selection processes is a proposal to provide the Council with the option to transfer up to \$3 million annually from the Livable Communities Demonstration Account to the Tax Base Revitalization Account. During a hearing in the House Local Government and Metro Affairs Committee the bill was amended by the author to allow the funds to be moved in either direction between the two accounts if either account receives an insufficient number of applications meeting funding criteria and program guidelines. If that initiative passes, it will be necessary to revise the plan to include additional procedures and calendar changes to implement the law.

Staff also provided the committee with an update on Chair Bell's plans to conduct a comprehensive examination of the LCDA program during 2007 with the intent to have the Council consider a retooling of the program for the 2008 grant cycle. The Council will likely involve a Council work group and is a topic that will be discussed in more detail during future Community Development Committee and Committee of the Whole meetings.

The annual fund distribution plan for 2007 is presently estimated to include:

- \$6.66 million in the Tax Base Revitalization Account (**TBRA**),
- \$8.0 million in the Livable Communities Demonstration Account (**LCDA**), and
- \$1.89 million in the Local Housing Incentives Account (**LHIA**)

Committee members asked several clarifying questions about the legislative initiatives, the possible effect they might have on the timing and evaluation of grant awards, and the goals of the LCDA work group to which staff responded.

#### Recommendation:

That the Metropolitan Council approve the *2007 Annual Livable Communities Fund Distribution Plan*.

# C Community Development Committee

Meeting date: March 19, 2007

## ADVISORY INFORMATION

<b>Date:</b>	March 12, 2007
<b>Subject:</b>	2007 Annual Livable Communities Fund Distribution Plan
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	Minnesota Statutes Section 473.25
<b>Staff Prepared/Presented:</b>	Guy Peterson, Director, Community Development Division Jan Gustafson, Manager, Livable Communities Program
<b>Division/Department:</b>	Community Development/Livable Communities

## Proposed Action/Motion

That the Metropolitan Council approve the *2007 Annual Livable Communities Fund Distribution Plan*.

## Issue(s)

- Review and approve the 2007 funding amounts, calendars and funding criteria for the three Livable Communities Fund Accounts.
- Review preliminary plans for the Council's review of the Livable Communities Demonstration Account program.

## Overview and Funding

The attached Draft *2007 Annual LCA Fund Distribution Plan* establishes the amount of funding that will be available for grant awards from each of the LCA Fund accounts during 2007, sets the calendar for the grants making processes, and sets forth the criteria upon which grant awards will be based. (The LCDA base amount assumes passage of legislation the Council proposed during the 2007 session of the Minnesota Legislature that would authorize a one-time allocation of \$1 million from the Livable Communities Demonstration Account to the Council's local government comprehensive planning grant and loan program. If the legislation does not pass, the amount available for LCDA grants would be increased by \$1 million.)

The Council also requested changes to Minnesota Statutes section 473.253, beginning in 2007, to allow the transfer of up to \$3 million from the Livable Communities Demonstration Account (LCDA) to the Tax Base Revitalization Account (TBRA) for distribution to applicants eligible for TBRA funding if there are an insufficient number of applications meeting LCDA funding criteria and program guidelines. Similarly, if there are an insufficient number of applications meeting funding criteria and program guidelines for the Tax Base Revitalization Account, any funds unused for an application cycle may be transferred to the Livable Communities Demonstration Account (LCDA) for distribution to eligible LCDA applicants. If the legislation is enacted it may be necessary to revise the fund distribution plan to include procedures and calendar changes to implement these changes to the law.

Council Chair Peter Bell has indicated his intent to conduct a comprehensive examination of the Livable Communities Demonstration Account program during 2007. This examination will be conducted concurrently with the implementation of the 2007 plan with the intent to develop options for making significant changes to the program for 2008.

**2007 Annual Livable  
Communities Fund  
Distribution Plan**

**DRAFT**

**April 11, 2007**

## BACKGROUND

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

- The **Tax Base Revitalization Account (TBRA)** helps clean up contaminated urban land and buildings for subsequent development in order to provide the highest return in public benefit for public costs incurred, restore tax base, and create and retain jobs and/or affordable housing.
- The **Livable Communities Demonstration Account (LCDA)** funds development and redevelopment projects that achieve development patterns that link housing, jobs and services, and that use infrastructure and regional facilities efficiently.
- The **Local Housing Incentives Account (LHIA)** helps expand and preserve lifecycle and affordable rental and ownership housing.

A fourth account, the **Inclusionary Housing Account (IHA)**, was funded in 1999 by a one-time legislative appropriation to support affordable housing developments in which the reduction of local controls and regulations resulted in reduced development costs. In 2000, eleven grants totaling \$4.2 million were awarded to eight communities from those funds. Interest accrued on funds held in the Inclusionary Housing Account prior to communities requesting payment of their grant awards. Those interest dollars (2000-2003) were awarded through a final round of IHA grants during 2004. The account was closed to further interest accrual effective January 1, 2004.

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

- The TBRA has the same amount available each year: a levy capped at \$5,000,000.
- The LCDA also is funded by a levy. The amount levied for 2007 is \$7,184,070.
- Funding for LHIA comes from \$500,000 transferred from the LCDA levy, plus \$1,000,000 annually from the Council's general fund.

The amount available for distribution each year is greater than these legislatively authorized amounts. The additional funds come from two sources:

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

Minnesota Statutes 473.25 states "The council shall prepare an annual plan for distribution of the fund based on the criteria for project and applicant selection." The *2007 Annual Livable Communities Fund Distribution Plan* is the twelfth fund distribution plan prepared for the Livable Communities Fund.

The dollar amounts set in the fund distribution plan are the base amounts for grants to be awarded during 2007. If significant additional monies accrue to any account during 2007 due to the recovery of unexpended or relinquished funds, those additional dollars may be included in the amount of money available for distribution during the fall round of grant awards for that particular account or carried forward to the 2008 fund distribution plan. In addition, the LCDA base amount assumes passage of legislation the Council proposed during the 2007 session of the Minnesota Legislature that would authorize a one-time allocation of \$1 million from the Livable Communities Demonstration Account to the Council's local government comprehensive planning grant and loan program. If the legislation does not pass, the amount available for LCDA grants would be increased by \$1 million.

The Council also requested changes to Minnesota Statutes section 473.253, beginning in 2007, to allow the transfer of up to \$3 million from the Livable Communities Demonstration Account (LCDA) to the Tax Base Revitalization Account (TBRA) for distribution to applicants eligible for TBRA funding if there are an insufficient number of applications meeting LCDA funding criteria and program guidelines. Similarly, if there are an insufficient number of applications meeting funding criteria and program guidelines for the Tax Base Revitalization Account, any funds unused for an application cycle may be transferred to the Livable Communities Demonstration Account (LCDA) for distribution to eligible LCDA applicants. If the legislation is enacted it may be necessary to revise the fund distribution plan to include procedures and calendar changes to implement these changes to the law.

## **2007 FUNDS AVAILABLE FOR GRANT AWARDS**

The annual fund distribution plan for 2007 is presently estimated to include:

- \$6.66 million in the Tax Base Revitalization Account (**TBRA**),
- \$8.0 million in the Livable Communities Demonstration Account (**LCDA**), and
- \$1.89 million in the Local Housing Incentives Account (**LHIA**)

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

TAX BASE REVITALIZATION  
ACCOUNT

2007

**FUNDING SCHEDULE**  
**FUNDING CRITERIA**  
AND  
**SELECTION PROCESS**

## Tax Base Revitalization Account 2007 Funding Schedule

**2007 Available Funding: \$6.66 Million**

### Round 1 (Spring) Available Funding: \$3.33 million

<b>Date</b>	<b>Activity</b>
January 31	Issue request for proposals
February 28	Grant Applicant Workshop -- held jointly with Department of Employment and Economic Development (DEED) and other public cleanup funding agencies.
May 1	Applications Due
May 1 – June 16	Application review – coordinate evaluation and funding recommendations with DEED, the MPCA, the Department of Health, Hennepin County, Ramsey County, and others as appropriate.
June 18	Community Development Committee recommends grant awards
June 27	Metropolitan Council awards grants

### ROUND 2 (Fall) Available Funding: \$3.33 million

<b>Date</b>	<b>Activity</b>
August 1	Issue request for proposals
August (date to be determined)	Grant Applicant Workshop -- held jointly with DEED and other public cleanup funding agencies.
November 1	Applications Due
November 1 – December 15	Application review – coordinate evaluation and funding recommendations with DEED, the MPCA, the Department of Commerce, the Department of Agriculture, the Department of Health, Hennepin County, Ramsey County, and others as appropriate.
December 17	Community Development Committee recommends grant awards
1 <sup>st</sup> Council meeting in January	Metropolitan Council awards grants

# Tax Base Revitalization Account

## Funding Criteria and Selection Process

(The Council's **Policy Restricting Metropolitan Council LCA Grants for Projects Using Eminent Domain for Economic Development** applies to all TBRA applications submitted in 2007.)

### Section 1: BACKGROUND AND PURPOSE

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

### Section 2: ELIGIBLE APPLICANTS

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

### Section 3: ELIGIBLE USE OF FUNDS

Eligible expenditures include Phase I and Phase II investigations, and preparation and implementation of approved Response Action Plans (RAPs) developed in conjunction with the MPCA for hazardous waste, or abatement programs that meet the requirements for the PBP/LUST program at MPCA (for petroleum), or AHERA standards (for asbestos). The funds may be used, consistent with DEED guidelines, to provide up to 13% the investigation/clean up cost as a local match required for a grant from DEED's Contamination Cleanup Grant Program. Costs for investigating the extent and/or nature of contamination are only eligible if a cleanup or abatement is required and if incurred within 180 days of the deadline of the TBRA grant funding cycle. Costs not related to clean up are not eligible expenditures under this program except when they meet DEED eligibility requirements and are used to match up to 13% of the DEED approved funding. Costs incurred to prepare or submit applications are ineligible.

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

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



is defined and used in Minnesota Statutes chapter 469” also is an exception to the eminent domain policy.

#### **Section 4: AWARDING GRANTS/COMPETITIVE PROCESS**

The Metropolitan Council is required to consider certain factors in order to ensure the highest return in public benefits for the public costs incurred. In order to compare and evaluate applications, the following criteria will be assigned point values to rank each applicant’s proposal against the others in the grant cycle. Consultation with Council staff and external partners, including DEED, MPCA, the MN Department of Commerce, and—when applicable—others, informs the process of evaluating applications. Applications may be submitted for more money than is expected to be available in a grant cycle. Such applications will be considered for their maximum eligibility in successive grant cycles upon re-application based on the cumulative amount of funding awarded or recommended, and provided there is a commitment for each applicable grant cycle to complete the clean-up and proceed with redevelopment. Such commitments to proceed must not be contingent on subsequent awards of clean-up funding. Applications will be ranked according to the extent to which they address the following:

##### **Tax Base (25 points)**

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

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

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

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

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

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

Show how the project supports Framework 2030 goals to:

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

Show how the project is integrated with Regional Systems:

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

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

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

##### **Partnership (5 points)**

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

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

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

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

**Supplemental Funding (5 points)**

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

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

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

- The host community’s annual community housing performance score, as determined by the Metropolitan Council, is part of the project evaluation.

Applications may be determined ineligible for funding if:

- clean-up funding is available from other public and private sources;
- an analysis of the proposal determines the funding is not needed in order for the project to proceed;
- the project requires extensive new regional infrastructure beyond that which is already planned;
- the proposal is not consistent with the municipality's comprehensive plan (Minn. Stat. section 473.859, Subd. 5)

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

**Section 5: LOCAL SUPPORT**

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

**Section 6: REPORTING REQUIREMENTS**

Recipients of Tax Base Revitalization Account grants must submit a report to the Metropolitan Council at the closure of the grant and for up to five years annually thereafter, stating: (1) the site redevelopment activities completed the previous calendar year, (2) the net tax capacity and the total property taxes paid on this parcel (land and buildings) for the preceding year, and (3) the percentage of full-time equivalent jobs on the site at the end of the previous year that are at or above a living wage. For purposes of this application, a living wage is \$12.50 per hour /\$26,000 per year.

**Section 7: PROCEDURES**

Applicants may write or call to request application packets from the Metropolitan Council, 390 North Robert Street, St. Paul, MN 55101. Application materials are also available on-line in the Community Assistance section under the Services and Programs heading (see “Livable Communities”) at [www.metrocouncil.org](http://www.metrocouncil.org). Any questions should be directed to Marcus Martin at

651-602-1054. This Notice of Funding Availability is subject to applicable federal, state, and municipal laws, rules and regulations.

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

#### **Section 8: APPLICATION FORMAT**

An original and two copies of the application information must be submitted by the grant application deadline. If funds are requested as part of the match to a DEED request, follow the Alternate Process for Joint Applications with the Department of Employment and Economic Development found at the end of the TBRA application information.

#### **Section 9: MODEL EXAMPLES**

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

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

The Metropolitan Council application form is not necessary for joint applications where the Council is asked to match Department of Employment and Economic Development (DEED) funding. Instead, submit two copies of the DEED application and the MPCA response action plan and a cover letter indicating the amount of matching funds being requested from the Metropolitan Council. The DEED attachments documenting appraisals need not be included.

Also provide two copies of the following additional information:

1. Names and titles of the authorized official(s) who would execute a contract to expend the funds.
2. Resolution authorizing the submission of the application to the Metropolitan Council.
3. Statement indicating whether or not the site is in a tax increment finance district. (The property tax information provided in the DEED application replaces the “net tax capacity” information requested in previous Metropolitan Council applications)
4. List of mechanisms/programs in place to ensure that local residents will have appropriate access to new jobs created.
5. Statement indicating whether or not the proposed project is consistent with sections of the municipality’s comprehensive plan addressing the site.
6. Clear statement of the amount requested from the Metropolitan Council if this is not explicit in the DEED application.
7. List of the anticipated sources of private and public investment in the entire redevelopment including items like building construction that are not included in the “project budget” indicated in the DEED application.

LIVABLE COMMUNITIES  
DEMONSTRATION ACCOUNT

2007

**FUNDING SCHEDULE**  
**FUNDING CRITERIA**  
AND  
**SELECTION PROCESS**

## Livable Communities Demonstration Account 2007 Funding Schedule

2007 Available Funding: \$8\* Million

Date	Activity
April 11	Metropolitan Council <b>adopts program calendar, available funding and funding criteria.</b>
April 13	<b>Post grant schedule, funding criteria and application form</b> on <a href="http://www.metrocouncil.org">www.metrocouncil.org</a> ; send e-mail notifying LCA-participating city contacts that these materials are available.
April 24 and 26 (tentative)	<b>Hold workshops</b> for interested applicants (choice of date and location) (Ed. note: notification of workshop dates will be e-mailed to city contacts on April 3, following Community Development Committee action on the LCA Annual Distribution Plan on April 2).
June 11	<b>Pre-application due</b> – a short pre-application must be submitted for each application that will be submitted on July 16
July 16	<b>Applications due</b> , including local resolution of support – no application can be accepted if a pre-application for the proposal was not received on or before June 11.
Mid-July – August	Staff conducts <b>technical review of proposals and Step 1 evaluation process</b>
August to mid-November	Livable Communities Advisory Committee conducts Step 2 <b>evaluation process and selection process; recommends funding awards.</b>
November 19	<b>Funding recommendations presented</b> to Community Development Committee
December 3	<b>Community Development Committee recommends grant awards</b>
December 12	<b>Metropolitan Council awards grants</b>

\*The LCDA base amount assumes passage of legislation the Council proposed during the 2007 session of the Minnesota Legislature that would authorize a one-time allocation of \$1 million from the Livable Communities Demonstration Account to the Council’s local government comprehensive planning grant and loan program. If the legislation does not pass, the amount available for LCDA grants would be increased by \$1 million.

# LIVABLE COMMUNITIES DEMONSTRATION ACCOUNT

## Funding Criteria and Selection Process

Funding Available in 2007: \$8\* Million for Development Grants

(\*See footnote on previous page.)

(The Council's **Policy Restricting Metropolitan Council LCA Grants for Projects Using Eminent Domain for Economic Development** applies to all LCDA applications submitted in 2007.)

### LEGISLATIVE AUTHORITY AND PURPOSE

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

### FUNDING GOALS

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

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

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

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

### ELIGIBLE APPLICANTS

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

### PROJECT ELIGIBILITY CRITERIA

1. The proposal involves new development, redevelopment or infill development addressing the program goals.

2. Proposed project is located within the Council-identified developed area, developing area or a rural growth center (urbanized area).
3. The Metropolitan Council has reviewed and accepted the applicant community's comprehensive plan.
4. The community's comprehensive plan amendments for the submitted proposal, if necessary, are completed or under review by the Metropolitan Council.
5. The proposed project helps achieve one or more of the affordable and life cycle housing goals adopted by the applicant city (or the city in which the project is located if the applicant is a county or a development authority) under the Local Housing Incentives program of the Livable Communities Act.
6. A local resolution (from the applicant city, county or development authority) authorizing the application for grant funds, identifying the need for LCDA funding, and prioritizing applications (if a city is submitting more than one application) is received by July 16, 2007.
7. Application is complete.

### **OTHER ELIGIBILITY REGARDING EMINENT DOMAIN**

No applicant for an LCDA grant shall be eligible for LCDA grant funds if the project for which an LCDA grant is requested requires the exercise of eminent domain authority over private property for the purposes of "economic development." The Council's policy defines "economic development" as "the taking of private property from one private person or entity, without the consent of the owner, and conveying or leasing such property to another private person or entity, for commercial enterprise, or to increase tax revenue, tax base, employment, or general economic health." The Council's definition of "economic development" does *not* apply if eminent domain was used to: acquire property for public ownership or use; acquire polluted or contaminated property that threatens the public or the environment, and remediation or clean up must occur expeditiously; acquire abandoned or blighted properties; remove public nuisances; or clear defective title. Projects that include "leasing property to a private person or entity that occupies an incidental part of public property or a public facility" are also eligible for LCA grant awards. (For the complete policy, see [www.metrocouncil.org/services/livcomm/EminentDomainPolicy.html](http://www.metrocouncil.org/services/livcomm/EminentDomainPolicy.html))

### **NUMBER OF APPLICATIONS**

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

### **ELIGIBLE AND INELIGIBLE USES OF FUNDING**

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

1. Basic public infrastructure items include and are defined as:
  - a) Local public streets
    - new streets, street realignment, reconstruction of existing street grid, street extensions or connections.
    - street lighting and street signs, when requested in conjunction with one of the eligible items in 1a), or to retrofit an existing street with these elements, as part of a proposal that meets the funding goals.
    - permanent public pedestrian features, including sidewalks and benches, when requested in conjunction with one of the eligible items in 1a), or to retrofit an existing street with these elements as part of a proposal that meets the funding goals.
  - b) Other infrastructure

- public parking structures (above- or underground), or the public portion of parking structures that will be for shared public–private use.
  - extensions or modifications of local public sewer and water lines, telecommunications lines.
- c) Other public connecting elements
- Sidewalks and trails connected to transit.
  - Site-integrated transit shelters, permanent bike racks.
  - Bridge construction for vehicle or pedestrian use



- d) Storm water management improvements
    - new or expanded stormwater ponds, rain gardens, infiltration swales, pervious pavement, underground stormwater retention/infiltration structures, native vegetation for infiltration and erosion control, that are integral to the development.
  - e) Design and engineering for items listed in 1.a) through 1.d)
2. Site assembly for lands to be used for construction of buildings; streets; sidewalks; parks, plazas and other public spaces; trails; that are integral to future development. Eligible items are:
    - a) Land acquisition
    - b) Demolition and removal of obsolete structures, pavement, curb and gutter, sewer and water pipes, on sites the city has already acquired or will acquire.
    - c) Site preparation—site grading and soil correction to enable construction.

**Ineligible Uses of Funds:**

1. County road improvements: all items relating to county roads listed in “eligible uses,” Item 1. a).
2. Traffic signals for local and county roads.
3. Private parking structures
4. Surface parking
5. Trees, sod, landscape plantings
6. For parks, plazas and other public areas: lighting; retaining walls, seat walls; sidewalks; paths; furnishings and equipment including but not limited to benches, trash receptacles, bike racks, signs, kiosks; playground equipment; water features; entry features; public art; shelters, gazebos, pergolas, bell towers; recreation buildings, amphitheaters.
7. Site assembly for lands to be used for transit infrastructure or capital investments, e.g. transit stations, station platforms, park-and-ride facilities (unless park-and-ride spaces will be used for shared parking).
8. Building construction
9. Building rehabilitation and improvements, exterior and interior
10. Housing “affordability gap” and “value gap” financing.
11. Pollution cleanup and related expenses
12. Applicant’s administrative overhead
13. Project coordination
14. Activities prior to the date of the grant award
15. Architect, developer, legal and other fees
16. Local permits, licenses or authorization fees
17. Travel expenses
18. Costs associated with preparing grant proposals
19. Operating expenses
20. Prorated lease and salary costs
21. Marketing costs
22. Comprehensive plan preparation costs
23. Costs associated with master plans or redevelopment plans, design workshops, design standards, market studies, zoning and land use implementation tools.

**AMOUNT OF AWARDS**

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

**DISTRIBUTION OF FUNDS**

The Livable Communities Advisory Committee may recommend up to 40 percent of the total funds available in a grant cycle for projects located in Minneapolis and St. Paul. The Metropolitan Council

reserves the right to subsequently consider awarding more than 40 percent of the total available funds in the grant cycle to projects located in Minneapolis and St. Paul, provided these conditions are met:

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

### **LOCAL RESOLUTION**

A resolution from the applicant city, county or development authority in support of applications(s) submittal must be submitted with the application, no later than July 16, 2007. The resolution must 1) authorize the grant applications(s), 2) identify the need for LCDA funding, such that the project could not occur in the foreseeable future without LCDA funds, 3) prioritize the applications according to the applicant's internal priorities, if an applicant is submitting more than one application; and 4) represent that the Applicant has undertaken reasonable and good faith efforts to procure funding for the project components for which LCDA funding is sought. Applications submitted by counties and development authorities on behalf of projects located in LCA-participating cities must also be supported by a resolution in support of the application from the city in which the project is located, as well as the resolution from the applicant county or development authority.

### **APPLICATION PROCESS**

1. Applicants are strongly encouraged to attend one of the workshops offered the week of April 23. Email notification of workshop dates and locations will be sent to all LCA-participating cities, and workshop information will be posted on the Council's website at [www.metrocouncil.org](http://www.metrocouncil.org).
2. Submit a pre-application for each proposal for which you intend to submit a full application. Send it by email by 4:30 PM on **June 11, 2007**, to [linda.milashius@metc.state.mn.us](mailto:linda.milashius@metc.state.mn.us)
3. Submit 20 copies of the application and required attachments by 4:30 PM on **July 16, 2007** to:

Linda Milashius, Metropolitan Council, 390 North Robert Street, St. Paul, MN. 55101

...**AND** send one email copy of the application to [linda.milashius@metc.state.mn.us](mailto:linda.milashius@metc.state.mn.us) (no need to include attachments). Staff will send confirmation of application's receipt. The application is available at [www.metrocouncil.org/grants/lcda/demoapp.doc](http://www.metrocouncil.org/grants/lcda/demoapp.doc)

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

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

**PROJECT EVALUATION PROCESS**

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

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

1. **The extent to which the proposal will address or shows potential to address the following criteria**, as applicable to the site location, geographic location and the community context. Proposals will be evaluated according to the appropriate developed or developing context of the project itself, not its developed or developing community classification.
  - a) **Use land efficiently 0-8 points** – How well the project achieves development that intensifies land use (adding buildings or other uses) and increases density to a level that maximizes the potential of the location.
  - b) **Develop land uses linked to the local and regional transportation systems 0-8 points** – How well the project achieves development that is designed in relationship to transit and transportation, providing optimal convenience for pedestrian access to transit, and for relationships of development to the regional transit system. (if the proposed project has no transit access, the proposal will be “held harmless” by using the average score of four points).
  - c) **Connect housing and centers of employment, education, retail, recreation uses 0-8 points**  
= How well the project achieves development that provides a diverse variety of uses (within the project area or when added to adjacent land uses) with improved jobs-housing balance, access to a variety of destinations in a connected development pattern both within the project area and to adjacent neighborhoods.
  - d) **Develop a range of housing densities, types and costs 0-8 points** -- How well the project achieves development that provides a wide variety of housing types and prices or rents, integrating new housing into existing neighborhoods through redevelopment, infill development, adaptive reuse; or through new development in developing communities – within the project or when added to the housing in adjacent neighborhoods; diversifies housing in the community and helps achieve the city’s housing goals.
  - e) **Conserve, protect and enhance natural resources through development that is sensitive to the environment 0-8 points** – How well the project achieves development that optimally integrates natural resources, including best management practices for water resources that incorporate water resource management into project design to maximize development potential; and employs natural resources, where feasible and appropriate, as community connections, assets and amenities.
2. **The extent to which the proposal includes tools and processes to ensure successful outcomes, as appropriate to the project**, including appropriate and effective regulatory tools; partnerships among government, private for-profit and nonprofit sectors; community participation, local vision and leadership. 0-10 points. How well the project achieves development that incorporates appropriate and effective regulatory tools to implement the project, such as zoning codes, design standards, development standards; strong and effective public-private partnerships; meaningful

local role to ensure that the project meets community needs and goals; local vision and leadership.

**Applications must score 20 or more points of a possible 50 points on the Step One criteria to advance to the Step two evaluation process.**

The following guidelines will be applied to proposals following evaluation and scoring on the selection criteria, and provided as information for the Step Two selection process.

- Has applicant community responded or is responding to recommendations cited in the Council's review of the comprehensive plan?
- If a proposal or related project has been previously funded through a Livable Communities Demonstration Account development or opportunity grant, have grant funds been expended or progress made?

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

The Livable Communities Advisory Committee will score proposals according to the evaluation and selection criteria in Step Two. The LCAC's 13 members represent and have expertise in development as it relates to local government planning, economic or community development; public and private finance; new development and redevelopment; transportation; environment; and site design. (LCAC membership list is available at [www.metrocouncil.org](http://www.metrocouncil.org)).

1. **The extent to which the project shows innovative elements, and demonstrates or shows potential to demonstrate new development concepts or elements in one or more of the scoring factor areas, for the community it is located in and for the region. 0-30 points** – Scoring is based on consideration of these factors: The extent to which the proposal uses land efficiently to maximize potential of the project location; links land uses to transit where available; connects housing and centers of employment, education, retail, recreation; provides a range of housing densities, types and costs; conserves, protects and enhances natural resources through development that is sensitive to the environment; other innovation not covered in the previous categories, including tools and processes used to develop and implement the project.
2. **The extent to which the element for which funding is requested will be a catalyst to implement the project of which it is a part. 0-20 points**

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

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

**Step Three Selection Criteria**

The readiness assessment includes:

1. **The status of implementation tools** – e.g. zoning codes and other official controls, design standards, development standards.
2. **The status of funding commitments to ensure construction start** for funded element(s) or further progress within a year from the date of the grant award (December 2008).

## **Housing Performance Scoring**

Following evaluation and scoring of proposals, up to ten additional housing incentives points will be assigned to each applicant's score. The housing incentives points are determined by converting a community's housing performance score from a 100-point scale to a ten-point scale. Project rankings may change as a result of adding the housing incentives points. However, the funding recommendations do not necessarily directly correspond to the numerical rankings.

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

The definition of affordable housing used is consistent with how the Council has defined affordable ownership and rental housing in negotiating housing goals to implement the Livable Communities Act. Ownership housing is affordable at 80 percent of median income, and rents are affordable at 50 percent of median income.

**LOCAL HOUSING INCENTIVES  
ACCOUNT**

2007

**FUNDING SCHEDULE  
FUNDING CRITERIA  
AND  
SELECTION PROCESS**

## Local Housing Incentives Account 2007 Funding Schedule

**2007 Available Funding: \$1.89 million**

### Ownership Programs ROUND 1:

<b>Date</b>	<b>Activity</b>
December 2006	Minnesota Housing Finance Agency (MHFA)/Metropolitan Housing Implementation Group (MHIG) Issue Request for Proposals (RFP)
February 8	Application Deadline
February 12 – March 23	MHFA/MHIG staff review applications
March 29	MHIG Application Evaluation and Selection Meeting
April 26	MHFA Board acts on recommendations from MHIG for RFP selections
May 21	Community Development Committee recommends grant awards
June 13	Metropolitan Council awards grants

### Ownership Programs ROUND 2: Tentative Schedule

<b>Date</b>	<b>Activity</b>
June 4 (Tentative)	MHFA/MHIG Issues RFP
July 12	Application Deadline
July – August	MHFA/MHIG staff review applications
October 25	MHFA Board acts on recommendations from MHIG for RFP selections
December 3	Community Development Committee recommends grant awards
December 12	Metropolitan Council awards grants

## Rental Programs

<b>Date</b>	<b>Activity</b>
April 23	Minnesota Housing Finance Agency (MHFA)/Metropolitan Housing Implementation Group (MHIG) Issue Request for Proposals (RFP)
May (Dates TBD)	RFP Workshops for Metropolitan Area at MHFA
June 19	Application Deadline
July 1 – September 7	MHFA/MHIG staff review applications
September 11	MHIG Application Evaluation and Selection
October 25	MHFA Board acts on recommendations from MHIG for RFP selections
December 3	Community Development Committee recommends grant awards
December 12	Metropolitan Council awards grants



## **Local Housing Incentives Account Funding Criteria and Selection Process**

(The Council's **Policy Restricting Metropolitan Council LCA Grants for Projects Using Eminent Domain for Economic Development** applies to all LHIA applications submitted in 2007.)

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

- Preserving existing affordable housing stock
- Providing workforce housing choices for low and moderate income households
- Increasing opportunity for underserved populations
- Exhibiting strong implementation partnerships
- Identifying significant leveraged resources
- Demonstrating a high degree of development readiness
- Achieving comprehensive community support

For rental housing proposals the criteria are slightly different and, in addition to the criteria above, include the extent to which proposals:

- Comply with the missions of the funding partners
- Meet strategic goals for cooperatively developed plans
- Use land efficiently
- Display efforts to end long-term homelessness

### **ADDITIONAL FUNDING CRITERIA specifically for the Local Housing Incentives Account (LHIA)**

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

Beginning with grants awarded after January 25, 2006, no applicant for a Metropolitan Council LCA grant shall be eligible for LCA grant funds from the Metropolitan Council if the project for which an LCA grant is requested requires the exercise of eminent domain authority over private property for purposes of "economic development" as defined by Council policy.  
([www.metrocouncil.org/services/livcomm.html](http://www.metrocouncil.org/services/livcomm.html))

### **Threshold Criteria**

- To be eligible, a municipality must have: 1) elected to participate in the Livable Communities Act Local Housing Incentives Account program; 2) negotiated housing goals adopted by the Metropolitan Council; and 3) identified to the Council the actions it plans to take to achieve these negotiated housing goals.

- The municipality must be actively pursuing various ways to meet its negotiated affordable and life-cycle housing goals.
- The municipality must match the amount of the LHIA funds to be awarded with a local affordable housing investment or contribution of an equal amount.
- New construction homeownership programs seeking assistance through the LCA LHIA funds must have a significant component of the program serving households with incomes at or below 60 percent of area median income. Other homeownership, rehabilitation, home improvement, and acquisition, demolition and resale programs may serve households at up to 115 percent of area median income in areas of low-valued, blighted and substandard properties where the local government is engaged in a redevelopment and neighborhood improvement effort to which it has committed matching local funding.

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

- Homeownership programs involving affordability gap funding requests must include acknowledgment that resale limitations regarding equity realized by buyers assisted by LHIA funding will be imposed by the administrators of the ownership program to recover the public investment represented by the LHIA funds.
- Each funding round, priority will be given to using 50 percent of the funds directed to rental proposals for creating/preserving units affordable at 30 percent of area median income.
- Among these priority proposals, further priority will be given to those in which units affordable at 30 percent of area median income are to meet the needs of the chronically homeless.
- Funds not used to assist rental proposals serving households at 30 percent of area median income or lower may be used to assist rental proposals serving households at 50 percent of area median income.

### **Competitive Criteria**

(Other factors to be considered)

- The municipality currently has a net fiscal disparities contribution of \$200 or more per household.
- The municipality does not use its Affordable and Life-cycle Housing Opportunity Amount (ALHOA) expenditure as the source for its matching funds.
- The Housing Performance Scores of the municipalities in which the housing either is located, or is proposed to be located, are considered in inverse rank order in LCA LHIA funding recommendations.