C Community Development Committee

Item: 2009-109R
Revised

For the Metropolitan Council meeting of June 24, 2009

ADVISORY INFORMATION

Date Prepared:	June 25, 2009
Subject:	2009 Annual Livable Communities Fund Distribution Plan

The following reflects action from the June 24, 2009 Metropolitan Council Meeting:

2009-109R - 2009 Annual Livable Communities Fund Distribution Plan

It was moved by Steffen and seconded by Bowles to amend the motion as follows:

> "That the Metropolitan Council approve the 2009 Annual Livable Communities Fund Distribution Plan, <u>with grant terms of 24 months with the possibility of a one year extension approved by the Community Development Committee (CDC) and the Council."</u>

Motion carried.

Chair Bell directed staff to modify the 2009 Livable Communities Fund Distribution Plan consistent with the changes made by the Council in adopting the plan.

Committee Report

C Community Development Committee

Item: 2009-109

For the Metropolitan Council meeting of June 24, 2009

ADVISORY INFORMATION

Date Prepared: June 17, 2009

Subject: 2009 Annual Livable Communities Fund Distribution Plan

Proposed Action:

That the Metropolitan Council approve the 2009 Annual Livable Communities Fund Distribution Plan.

Summary of Committee Discussion / Questions:

Livable Communities Manager, Paul Burns, presented an overview of the 2009 Annual Livable Communities Fund Distribution Plan. The Plan sets out the funding amounts, timetables and funding criteria for the Tax Base Revitalization Account (TBRA), the Livable Communities Demonstration Account (LCDA) and the Local Housing Incentives Account (LHIA).

He pointed out that the Plan incorporates a change recommended by a CDC Review Panel that grants awarded in 2009 will have a 30-month term, without an option for extension. Community Development Division Director Guy Peterson also went over supplemental information regarding the formula for the maximum LHIA subsidy limit for the affordability gap on homebuyer projects.

Committee members discussed the issue of the LHIA subsidy limit for homeownership programs. Staff was directed to report back to the Committee on possible options for changing the current requirement for the maximum per-unit gap contribution that can be made with LHIA dollars.

Mr. Burns directed the Committee's attention to letters from Metro Cities and the Metropolitan Consortium of Community Developers objecting to the Review Panel recommendation to limit grant terms to 30 months, without the option for extensions. Current grant terms are two years, with the option for an additional one-year extension, approved administratively. A few grants have also received second extensions, after review by the Community Development Committee and approval by the Council. Patricia Nauman, from Metro Cities explained her membership would prefer maintaining an extensions process that allows for accountability for program dollars while being sufficiently adaptable to allow the Council to work with communities on extension requests.

The Committee voted unanimously to approve the 2008 Annual Livable Communities Fund Distribution Plan.

Business Item
Item: 2009-109

C Community Development Committee

Meeting date: June 15, 2009

ADVISORY INFORMATION	
Date:	June 10, 2009
Subject:	*Draft 2009 Annual Livable Communities Fund Distribution Plan*
District(s), Member(s):	All
Policy/Legal Reference:	Minnesota Statutes Section 473.25
Staff Prepared/Presented:	Guy Peterson, Community Development Director, 651.602.1418 Paul Burns, Livable Communities Program Manager, 651.602.1106
Division/Department:	Community Development/Livable Communities

Proposed Action

That the Metropolitan Council approve the 2009 Annual Livable Communities Fund Distribution Plan.

Background

This Item was carried forward from the May 18, 2009 Community Development Committee meeting. Since that meeting, the document has been modified to incorporate references to grant terms of 30 months in anticipation of CDC and Council approval of the recommendation of a CDC Review Panel.

The attached Draft *2009 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 2009, sets the calendar for the grants making processes, and sets forth the criteria upon which grant awards will be based.

Legislation passed in 2009 authorized the Council to transfer to its transit operating budget in 2009, 2010, and 2011 balances in the LCA accounts that are not committed to grant or loan awards made by the Council and up to 50 percent of the revenues and amounts credited, transferred, or distributed to LCA accounts that are not committed to grant or loan awards. The funding amounts appearing in the Fund Distribution Plan reflect transfers.

The following is a list of changes or special emphases or efforts Livable Communities staff are proposing to implement in 2009:

- **Enhanced Assistance for Applicants**. Applicants are required to provide with their applications maps of the proposed project areas that are used to identify the location of each project. New functionality provided by the Council's Information Systems/Geographic Information Systems staff, allows applicants to easily map their project areas using the Council's web site. Future enhancements to this system will allow LCA staff to gather objective performance reporting data such as net tax increases and jobs.
- **Schedule changes.** There will be no spring rounds of grants for the TBRA and LHIA, and there will be no pre-application process for LCDA**.**
- **Reporting.** Recipients of 2009 LCA awards will be required to submit semi-annual progress reports during the term of the grant to demonstrate that the project can be completed during the term of the grant.
- **Readiness.** In these difficult economic times, it is especially important that LCA monies are granted to projects that are able to use the grant money quickly and complete the project for which grant funds are requested. This year's process will emphasize to a greater degree the expectation that projects are to be completed during the 30-month term of the grant; this includes grant-funded activities and the projects enabled by those grant-funded activities.

- **Grant Term.** Grants awarded in 2009 will have a 30-month term, without an option for extension, as recommended by the CDC Review Panel. Grant terms in recent years have been two years, with the possibility of an administratively approved one-year extension. The Council has also recently acted on a few requests for second extensions to the grant term. As part of their recommendation for modifying the process for evaluating such requests, the Review Panel recommended that for all new grant awards, the term be lengthened to 30-months, without the option of any extensions. For the LCDA and LHIA grants, both grant-funded activities and the projects enabled by those grant-funded activities will be expected to be completed within 30-months. For the TBRA grants, grant-funded activities will be expected to be completed and Project elements beyond the grant-funded activities will be expected to be commenced within the 30-month term of the grant.

Rationale

The changes in the Plan reflect changes proposed by staff to address issues experienced during the past year, recommendations from the CDC's Review Panel and changes resulting from budget shifts.

Funding

The annual Fund Distribution Plan for 2009 is presently estimated to include:

- $3.0 million in the Tax Base Revitalization Account (TBRA);
- $4.0 million in the Livable Communities Demonstration Account (LCDA);
- $440,000 in the Land Acquisition for Affordable New Development (LAAND) and
- $1.8 million in the Local Housing Incentives Account (LHIA).

Known Support / Opposition

- None

2009
Annual Livable Communities Fund Distribution Plan

June 15, 2009

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Introduction

Background

The Livable Communities Act, *Minnesota Statutes 1995, 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. There have been a total of 263 TBRA grants awarded through 2008, for a total of over $77.5 million.
- 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. There have been 162 LCDA grants awarded through 2008, for a total of over $87.6 million.
- The **Local Housing Incentives Account (LHIA)** helps expand and preserve lifecycle and affordable rental and ownership housing. There have been a total of 119 LHIA grants awarded through 2008, for a total of $19.9 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.

The **Land Acquisition for Affordable New Development (LAAND)** program was created in 2008 using monies from the LCDA fund to create no-interest loans to LCA communities to acquire land for future affordable housing projects. The LAAND program gives priority to proposals seeking the acquisition of 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, is proximate to public transit and implements Green Communities criteria, Minnesota Overlay or a comparable program in the development process. There were four loans awarded in 2008, for a total of $3.56 million.

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

- TBRA has the same amount available each year: a levy capped at $5,000,000.
- LCDA also is funded by a property tax levy. The amount levied for 2009 is $8,184,070. This amount is reduced by an estimate of uncollectible property taxes; for 2009, that amount is estimated at $122,761.
- LHIA funding comes from $500,000 transferred from the LCDA levy, plus $1,000,000 annually from the Council's general fund.

Legislation passed in 2009 authorized the Council to transfer to its transit operating budget in 2009, 2010, and 2011 balances in the LCA accounts that are not committed to grant or loan awards made by the Council and up to 50 percent of the revenues and amounts credited, transferred, or distributed to LCA accounts that are not committed to grant or loan awards. Funding amounts for each of the accounts listed in this section of this report and in the individual grant account sections reflect those transfers.

The amount of Livable Communities Act (LCA) funding 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 balances 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.

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 *2009 Annual Livable Communities Fund Distribution Plan* is the fourteenth 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 2009. If significant additional monies accrue to any account during 2009 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, carried forward to the 2010 fund distribution plan, or included in funds shifted to the transit operating budget.

2009 Livable Communities Act Funds Available for Grant Awards

The funds available for 2009 are presently estimated to include:

- $3.0 million in the Tax Base Revitalization Account (**TBRA);**
- $4.0 million in the Livable Communities Demonstration Account (**LCDA**);
- $440,000 in the Land Acquisition for Affordable New Development (**LAAND**); and
- $1.8 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 active Livable Communities Fund accounts. A funding round schedule for each account is also included.

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).

All LCA-participant communities in good standing are eligible to apply for LCA funding. However, applications for projects located in communities that have not submitted a decennial comprehensive plan that is complete for review will not be allowed to *receive* any funding until the comprehensive plan is determined to be complete by the Council.

New in LCA for 2009

- **Grant Term.** Grants awarded in 2009 will have 30-month term, without an option for extension, as recommended by the CDC Review Panel. Grant terms in recent years have been two years, with the possibility of an administratively approved one-year extension. The Council has also recently acted on a few requests for second extensions to the grant term. As part of their recommendation for modifying the process for evaluating such requests, the Review Panel recommended that for all new grant awards, the term be lengthened to 30-months, without the option of any extensions. For the LCDA and LHIA grants, both grant-funded activities and the projects enabled by those grant-funded activities will be expected to be completed within 30-months. For the TBRA grants, grant-funded activities will be expected to be completed and Project elements beyond the grant-funded activities will be expected to be commenced within the 30-month term of the grant.

- **Enhanced Assistance for Applicants**. Applicants are required to provide with their applications maps of the proposed project areas that are used to identify the location of each project. New functionality provided by the Council's Information Systems/Geographic Information Systems staff, allows applicants to easily map their project areas using the Council's web site. Future enhancements to this system will allow LCA staff to gather objective performance reporting data such as net tax increases and jobs.
- **Readiness.** In these difficult economic times, it is especially important that LCA monies are granted to projects that are able to use the grant money quickly. Applicants will be required to demonstrate that their projects are able to be completed during the 30-month term of the grant.
- **Schedule changes.** There will be no spring rounds of grants for the TBRA and LHIA, and there will be no pre-application process for LCDA.
- **Reporting.** Recipients of 2009 LCA awards will be required to submit semi-annual progress reports during the term of the grant to demonstrate that the project can be completed during the term of the grant.

Use of Eminent Domain

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

Amount of Awards

No minimum or maximum award levels for projects have been established, with the exception of distribution limits established for cities by statute. The Metropolitan Council reserves the right to award less than the amount requested and to award less than the available funding in the funding cycle.

Tax Base Revitalization Account

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Tax Base Revitalization Account 2009 Funding Schedule

2009 Available Funding: $3.0 Million

Round 1 (Spring)

There is no proposed spring round for the Tax Base Revitalization Account (TBRA) in 2009.

Round 2 (Fall)

Month	Activity
August	Notice of Funding Availability
August	Grant Applicant Workshop - held jointly with DEED and other public cleanup funding agencies.
November 2	Applications due
November – December	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.
1st Community Development Committee meeting in January	Community Development Committee recommends grant awards
2nd Metropolitan Council meeting in January	Metropolitan Council awards grants

Tax Base Revitalization Account Funding Criteria and Selection Process

Section 1: Background and Purpose

The Metropolitan Livable Communities Act (MN Statutes Chapter 473.252) created 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 to enhance the tax base of the recipient municipality or the production of affordable housing. TBRA funds, raised by a legislatively authorized levy capped at $5 million, will be available annually with applications accepted in the fall (the first regular business day on or after 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: New TBRA Elements For 2009

Readiness will be a higher priority during the evaluation phase for 2009 TBRA applications. Rather than previous grant terms of two-years, starting this year, grant terms will be 30-months, without an opportunity for extension. Grant-funded cleanup activities will be expected to be able to be completed during the 30-month term of the grant and Project elements beyond the grant-funded activities will be expected to be commenced during the 30-month term of the grant.

Section 3: Eligible and Ineligible Uses of 2009 Funding

Eligible Uses
Eligible expenditures include Phase I and Phase II investigations, preparation and implementation of approved Response Action Plans (RAPs) developed in conjunction with the MPCA for soil or ground water contamination or hazardous waste that meet the requirements for the Voluntary Investigation and Cleanup (VIC) Program, and/or the Petroleum Brownfields Program (PBP) at MPCA. Eligible expenditures also include hazardous materials surveys for asbestos and or lead-based paint that meet the requirements for Asbestos Hazard Emergency Response Act (AHERA) standards for asbestos and applicable federal and state laws, rules and standards governing lead abatement. The funds may be used, consistent with DEED guidelines, to provide up to 13% the investigation/clean up cost as a local match required for a grant from DEED's Contamination Cleanup Grant Program. Costs for investigating the extent and/or nature of contamination are only eligible if a cleanup or abatement is required and if incurred within 180 days of the deadline of the TBRA grant funding cycle. 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.

Note: More detail on eligible costs will be available on the Council’s website.

Ineligible Uses
Costs for contamination cleanup incurred prior to the date of application are not eligible unless the applicant has previously been awarded cleanup funding for the same redevelopment project and the costs are expressly authorized by the Council. In order for contamination cleanup activities incurred prior to the TBRA funding award date to be considered eligible for funding, applicants must meet the following four conditions:

1. The cleanup work for which funding is being requested must have occurred no earlier than 180 days before the TBRA application deadline (typically November 1st or May 1st).
2. For soil and ground water remediation work the MPCA must have approved a RAP for the project prior to commencing work; for asbestos abatement a Minnesota Department of Health (MDH) licensed inspector/contractor must have completed an asbestos evaluation and plan according to AHERA standards; for lead-based paint abatement an MDH licensed inspector/contractor must have completed a lead-based paint evaluation according to MDH standards.
3. The applicant must have contacted the Council TBRA staff prior to commencing any cleanup work. A site visit with the applicant and TBRA staff is recommended to ensure a clear understanding of the project and the proposed remediation.
4. Before starting the cleanup work the applicant must provide a letter to the Council TBRA staff that explains why the applicant needs to commence the cleanup work prior to the TBRA application deadline and states:
   (A) the applicant is going to start project cleanup work before the next TBRA application deadline; and the applicant has the appropriate approvals (see 2 above), and
   (B) the applicant understands that while this notification process makes the work done after the Council receives the letter eligible for consideration in the next TBRA grant round, it DOES NOT commit the Council to funding the project.

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

Section 4: Application Process

Interested parties may obtain an application packet by calling or writing to the Metropolitan Council or by downloading it from the Council's website at http://www.metrocouncil.org/services/livcomm/LCAresources.htm#TBRA . Any questions should be directed to the TBRA grant program coordinator at 651-602-1054. This Notice of Funding Availability is subject to applicable federal, state, and municipal laws, rules and regulations. The Metropolitan Council reserves the right to modify or withdraw this Notice of Funding Availability at any time.

Applicants required to have a Response Action Plan (RAP) approved by the MPCA should submit the required reports to the VIC Program or the PBP 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.

Local Resolution
Any proposal for funds under this program must include a resolution from the local unit of government within which the project is proposed. The resolution must affirm that the project would not occur through private or other public investment without Metropolitan Council funding within the reasonably foreseeable future and identify any prior efforts to secure funding.

Section 5: Competitive Process

Awards to Minneapolis and Saint Paul

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).

Scoring Criteria
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.

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

Tax Base (25 points)	
Increase the tax base of the recipient municipality	20 points
Projects not in a TIF (Tax increment Finance) district earn 5 points because all the affected tax jurisdictions benefit immediately	5 points
Jobs and/or affordable housing (25 points)	
Increase the number of jobs for the region	10 points
Retain existing jobs	5 points
Preserve and/or increase living wage jobs ($12.50/hour excluding benefits for purpose of this application)	5 points
Increase living wage jobs in/near areas of concentrated poverty and demonstrate linkages between jobs and housing for local residents	5 points
Projects with a residential component are eligible to receive points based on the number of affordable housing units provided. Affordable housing is defined as ownership housing affordable to households at 80% or less of AMI or rental housing units affordable to households at 50% or less of AMI, with rent limits dependent on the number of bedrooms per unit.	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	20 points
Clean up sources of contamination that affect groundwater quality	5 points
Framework 2030 Implementation/Regional System support (25 points):	
Show how the project supports Framework 2030 goals to:	
Accommodate growth	10 points
Promote multi-modal transportation options	2 points
Provide housing choices	2 points
Conserve vital natural resources	2 points
Show how the project is integrated with Regional Systems	
Environmental Services	3 points
Transportation	3 points
Regional Parks	3 points

Readiness/Market demand (25 points)	
Demonstrate readiness to proceed with project site clean up	5 points
Demonstrate market demand for proposed redevelopment 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	20 points
Partnership (5 points)	
Represent innovative partnerships among various levels of government and private for-profit and non-profit sectors	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	2 points
For project operations, show how the project conserves energy, water and other natural resources, reduces waste and provides cleaner air	2 points
For the project site, show the use conservation-oriented site design	1 point
Supplemental Funding (5 points)	
Supplemental funding is only for projects for which the grantee has an active TBRA grant that has not expired; has encountered significantly higher costs for remediating 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. All previous TBRA grant funds awarded for the project are included with the supplemental request in evaluating the cost effectiveness of the application. Supplemental funding points are not awarded for subsequent phases of multi-phase projects.	5 points
Community's annual housing performance score (10 points)	
The housing performance score of the community hosting the TBRA project, as determined by the Metropolitan Council, is part of the project evaluation.	10 points

Applications will be determined ineligible for funding if:

- an analysis of the proposal determines the funding is not needed in order for the project to proceed;
- eligible cleanup costs are equal to one percent or less (1%) than the total project costs; or
- upon review the application does not score at least 40% (60 points) of the total points available (150 points)

Applications may be determined ineligible for funding if:

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

Section 6: Reporting Requirements

TBRA grantees are required to make 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 TBRA grants must also submit a report to the Metropolitan Council at the closure of the grant and for up to four years annually thereafter, stating:

(1) the site redevelopment activities completed the previous calendar year;
(2) the net tax capacity assessed in the prior year and the total property taxes paid on this parcel (land and buildings) for the reporting year; and
(3) the percentage of full-time equivalent jobs on the site at the end of the previous year that are at or above a living wage. For purposes of the 2009 application, a living wage is \$12.50 per hour/\$26,000 per year excluding benefits.

Livable Communities Demonstration Account

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Livable Communities Demonstration Account 2009

2009 Available Funding: $4.0 Million

Month	Activity
June	Notice of Funding Availability
July 8 & July 9	Hold workshops for interested applicants; dates and locations to be posted on the Metropolitan Council's internet site
August 24	Applications due
September 24	Last date local resolution can be submitted
September	Staff conducts technical review of proposals and Step 1 evaluation process
September to November	Livable Communities Advisory Committee conduct Step 2 evaluation and selection process; recommends funding awards
December 7	Funding recommendations presented to Community Development Committee
December 21	Community Development Committee recommends grant awards
January 13	Metropolitan Council awards grants

Livable Communities Demonstration Account Funding Criteria and Selection Process

Section 1: Background and Purpose

The Livable Communities Demonstration Account was established by the Livable Communities Act (LCA), Minnesota Statutes section 473.25(b). The Demonstration Account provides funds to support 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. Projects must include a development component or phase that will go forward to construction and be completed within the grant term.

LCDA funding helps recipient cities implement their community development objectives and comprehensive plans.

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, and
- 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.

Projects meeting these goals and funded through the LCDA program can help reduce travel by eliminating or shortening vehicle trips, or by encouraging some trips by walking, biking or transit. These results are made possible by increasing the number of land uses located within close proximity, particularly jobs and housing, and can have a significant impact on reducing greenhouse gas emissions. The Minnesota Climate Change Advisory Group has stated that 24 percent of emissions in the state of Minnesota are transportation-related. One of three primary ways to reduce CO_2 emissions due to transportation is less travel, resulting in lower vehicle miles traveled (the other two ways are cleaner cars and cleaner, low-carbon fuel).

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

Section 2: New LCDA Elements for 2009

In 2009:

1. To be eligible, projects must include development components that will be completed within the 30-month grant term. Previously, grant terms were two years, with the possibility of a one-year extension. This year, the Council has increased the grant term to 30-months, without the option of any extensions.
2. Relocation expenses, in conjunction with a land acquisition request, are ineligible.
3. The point system has been revised in the Step Two evaluation process conducted by the Livable Communities Advisory Committee. as follows:
   A. The evaluation of "How LCDA funding is a catalyst" has been changed from 20 points to 10 points; and
   B. Up to ten points have been added as a readiness assessment.

      In 2008 and prior years, readiness was addressed in a separate Step Three process that involved no points. For 2009, Step Three will be eliminated. This change gives more emphasis to assessing whether projects will be able to use the money within the 30-month grant term.

Section 3: Eligible and Ineligible Uses of 2009 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.

Basic public infrastructure includes local public streets; public-use parking structures; extensions or modifications of local public sewer and water lines, or telecommunications lines; public connecting elements including sidewalks and trails connected to transit; site-integrated transit shelters, bike racks, bridges for vehicle or pedestrian use; and stormwater management improvements. 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 Funds:
Ineligible uses of LCDA funds include county road improvements; private parking structures; surface parking, trees, sod, and landscape plantings; lighting, seating, sidewalks, paths, and furnishing and equipment for parks, plazas and other public areas; 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; licenses, permits, fees, planning and administrative costs.

More detail on eligible and ineligible cost will be available on the Council's website.

Section 4: Application Process

Interested parties may obtain an application packet by calling or writing to the Metropolitan Council or by downloading it from the Council's website at http://www.metrocouncil.org/services/livcomm/LCAresources.htm#LCDA . Any questions should be directed to the LCDA grant program coordinator at 651-602-1385. 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.

Local Resolution
A resolution from the applicant city, county or development authority in support of the applications(s) submitted must be submitted no later than 30 days after the application deadline.

The resolution must:

1. Authorize the grant applications(s);
2. Identify the need for LCDA funding, such that the project could not occur in the foreseeable future without LCDA funds;
3. Prioritize the applications according to the applicant's internal priorities, if an applicant is submitting more than one application; and
4. Represent that the applicant has undertaken reasonable and good faith efforts to procure funding for the project components for which LCDA funding is sought, including reasons and supporting facts.

Applications submitted by counties and development authorities on behalf of projects located in LCA-participating cities must also be supported by a resolution in support of the application from the city in which the project is located, as well as the resolution from the applicant county or development authority.

Section 5: Competitive Process

Eligible proposals
All of the following are required to comprise an eligible proposal:

1. The proposal must involve new development, redevelopment or infill development addressing the program goals. Proposals involving rehabilitation are eligible when the project has other components that address one or more of the program goals.
2. The proposed project must be located within the Council-identified developed area, developing area or a rural growth center (urbanized area). Regional park land is ineligible.
3. The proposed project must include development components that are planned to be completed within the 30-month grant term.
4. The proposed project must be consistent or will be made consistent with the local comprehensive plan that has been reviewed by the Council and be consistent with any area, neighborhood, corridor or other local plan adopted by the municipality in which the project is located.
5. If housing is proposed in the application, the proposed project helps achieve one or more of the affordable and life cycle housing goals adopted by the applicant city (or the city in which the project is located if the applicant is a county or county development authority) under the Local Housing Incentives program of the Livable Communities Act.

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

Awards for projects located in Minneapolis and Saint Paul
The Livable Communities Advisory Committee (LCAC) may recommend up to 40 percent of the total funds available in a grant cycle for projects located in Minneapolis and Saint Paul. The 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 Saint 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 Saint 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 scored a minimum of 7 of 10 readiness points, as determined in the LCAC evaluation.

Livable Communities Advisory Committee
Applications for Livable Communities Demonstration Account development grants are reviewed by the 13-member LCAC, 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 development and redevelopment projects for which LCDA funding is requested. Areas of expertise (for which there are two members each) are: local government (planning, economic or community development); development finance (one private finance, one public finance); development (one new development, one redevelopment); transportation; environment; and site design. The LCAC chair, not representing a specific expertise area, is the 13th member.

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);
- Green Communities Criteria for building affordable housing (Minnesota Housing);
- The potential benefit of major state transportation investments (Minnesota Department of Transportation).
- Access management to maintain a safe flow of traffic while accommodating access needs of adjacent development (Minnesota Department of Transportation);
- The Minnesota Sustainable Building Guidelines to encourage more sustainable building practices (Administration and Commerce Departments);
- The land use goals of Project 2030, an initiative that identifies the impact of the aging of the baby boom generation and supports life-cycle housing (Department of Human Services);
- That the Natural Resources Inventory and Assessment (NRI/A), a region-wide database and series of maps that records information about land and water resources developed by the Department of Natural Resources and the Metropolitan Council, is implemented locally and used to plan proposals implemented locally and used to plan proposals; and
- Implementation of policies and requirements of the Pollution Control Agency for surface water management.

Evaluation Process
LCDA applications are evaluated in a two-step process. A staff evaluation team will review and score eligible proposals using the Step One evaluation criteria and guidelines. The LCAC conducts Step Two of the evaluation process.

Step One Evaluation Criteria -- 50 possible points

Applications must score 20 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:

1. **Land Use Criteria**

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

   A. Use land efficiently (0 – 8 points)
   How well the project will achieve development that intensifies land use (adding buildings or other uses) and increases density to a level that maximizes the potential of the location.

   B. Develop land uses linked to the local and regional transportation systems (0 – 10 points)
   0 – 3 points: Location within one-half mile of a transitway in the 2030 Transitway System – Hiawatha LRT, I-35W BRT, Cedar Avenue BRT, I-394 HOT Lane, Northstar Commuter Rail, Central LRT; Southwest, Bottineau, I-35 W North, Central Ave/TH65/BSNF, Rush Line, TH 36/NE, I-94 East, Red Rock (develop as LRT/Busway/BRTCommuter Rail); Central Avenue, Snelling Avenue/Ford Parkway, West Broadway, Nicollet Avenue, Chicago Avenue, East 7th Street, Robert Street, West 7th Street, American Boulevard (potential BRT corridors); or within one-half mile of a local bus route; or within one-half mile of a park-and-ride facility on an express commuter bus or express bus route.

   0 – 7 points: How well the project will achieve development that is designed in relationship to transit and transportation: by 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); implements access management policies**.**

2. **Connect housing and centers of employment, education, retail, recreation uses** (0 – 8 points)

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

3. **Develop a range of housing densities, types and costs** (0 – 8 points)

   How well the project will achieve development that:

   - provides life-cycle housing that includes a wide variety of housing types and prices or rents, by integrating new housing into existing neighborhoods through redevelopment, infill development, adaptive reuse; or through new development in developing communities – within the project or when added to the housing in adjacent neighborhoods; diversifies housing in the community; helps achieve the city's affordable housing goals;
   - uses Green Communities criteria, Minnesota GreenStar or other accepted green building system; and
   - addresses one or more of Minnesota Housing's goals.

4. **Conserve, protect and enhance natural resources through development that is sensitive to the environment** (0 – 8 points)
   How well the project will achieve development that optimally integrates natural resources, including best management practices that incorporate water resource management into project design to maximize development potential; implementation and use of a local Natural Resources Inventory and Assessment

(NRI/A) to plan the project; and employs natural resources, where feasible and appropriate, as community connections, assets and amenities.

5. **Tools and Processes (**0-8 points)
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. How well the project achieves development that incorporates appropriate and effective regulatory tools to implement the project, such as zoning codes, design standards, development standards; strong and effective public-private partnerships; a meaningful local role to ensure that the project meets community needs and goals; and local vision and leadership.

Step Two Evaluation Criteria – 50 possible points

The 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.

Housing incentive points as described below in “housing performance scoring” will be applied separately.

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

   Scoring is based on the extent to which the proposal:
   - uses land efficiently to maximize the potential of the project location;
   - links land uses to transportation and transit where available; maximizes major state transportation investments;
   - connects housing and centers of employment, education, retail, civic uses and recreation;
   - provides a range of housing densities, types and costs;
   - conserves, protects and enhances natural resources through development that is sensitive to the environment and incorporates the Minnesota Sustainable Building Guidelines;
   - other innovation not covered in the above categories;
   - utilizes tools and processes to develop and implement the project, including consistency with area, neighborhood, corridor or other plans adopted by the municipality;
   - Represents a model, in whole or in part, for the community it is located in and for the region.

2. **How LCDA Funding is a Catalyst (**0-10 points)

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

3. **Readiness Assessment (0-10 points)**
The extent to which the proposed project is ready and able to use an LCDA grant, if awarded, within the 30-month grant term.

   The readiness assessment includes:

   A. **The status of implementation tools** – e.g., zoning codes and other official controls, design standards, or development standards.

B. **The status of funding commitments to ensure construction starts** for funded element(s) or further progress within a year from the date of the grant award (December 2009 / January 2010), and other indicators of readiness.

C. **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.

Housing Performance Scoring (0-10 points)

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

A proposal will be 'held harmless' in the ranking process (the proposal will either improve its ranking or will not be lowered in the rankings) if the proposal includes or proposes new affordable housing or if affordable housing is located within the project site/area. Affordable ownership housing is that which is affordable to households at 80 percent of area median income, and affordable rental housing is that which is affordable at 50 percent of area median income.

Section 6: Reporting Requirements

LCDA grantees are required to make periodic progress reports. Detail supplied with payment requests comprises the bulk of these 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.

Local Housing Incentives Account

2009
Funding Schedule
Funding Criteria
and
Selection Process

Local Housing Incentives Account 2009 Funding Schedule

2009 Available Funding: $1.8 million

Spring (Round 1)

There is no proposed spring round for the Local Housing Incentives Account (LHIA) in 2009.

Fall (Round 2)

Ownership Programs - Tentative Schedule

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

Rental Programs – Tentative Schedule

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

Local Housing Incentives Account Funding Criteria and Selection Process

Section 1: Background and Purpose

The Metropolitan Livable Communities Act (MN Statutes Chapter 473.254, Subd. 6) sets forth requirements for the distribution of Local Housing Incentives Account (LHIA) funds to meet cities' negotiated affordable and lifecycle housing goals. To implement the LHIA, the Metropolitan Council partners with the Minnesota Housing Finance Agency, the Family Housing Fund and others—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 2009

- Readiness will be a higher priority during the evaluation phase for 2009 LHIA applications. Projects will be expected to be able to be completed 30-month grant term. Previously, grant terms were two years, with the possibility of a one-year extension. This year, the Council has increased the grant term to 30-months, without the option of any extensions.
- Recipients of 2009 LHIA awards will be required to submit semi-annual progress reports during the term of the grant to demonstrate that the project can be completed during the term of the grant.

Section 3: Eligible and Ineligible Uses of 2009 Funding

Eligible uses
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; interior and exterior finishing; roofing; electrical; plumbing; and heating and ventilation.

Ineligible uses
Soft costs, such as administrative overhead, bonds and insurance, legal fees, permits, travel or grant/bid preparation costs are ineligible, as are holding costs (e.g., property taxes, utilities, property maintenance, interest) and architects' fees.

Section 4: Application Process

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

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; and
- 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

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 (see definition of *eligible applicants* on page 2) receiving the funds. 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 life-cycle housing.

Threshold Criteria

1. To be eligible, a municipality in which the proposed project will be located must have:
   A. elected to participate in the Livable Communities Act Local Housing Incentives Account program;
   B. negotiated housing goals adopted by the Council; and
   C. identified to the Council the actions it plans to take to achieve these negotiated housing goals.
2. The municipality in which the project is located must be actively pursuing various ways to meet its negotiated affordable and life-cycle housing goals.
3. 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.
4. 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 (AMI). Other homeownership, rehabilitation, home improvement, and acquisition, demolition and resale programs may serve households at up to 115 percent of AMI 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.

5. 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 AMI.
6. Homeownership programs involving affordability gap funding requests must include an 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.
7. 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 AMI.
8. Among these priority proposals, further priority will be given to those in which units affordable at 30 percent of AMI are to meet the needs of the chronically homeless.
9. Funds not used to assist rental proposals serving households at 30 percent of AMI or lower may be used to assist rental proposals serving households at 50 percent of AMI.

Competitive Criteria

Other factors to be considered include:

- The municipality currently has a net fiscal disparities contribution of $200 or more per household.
- The municipality does not use its Affordable and Life-cycle Housing Opportunity Amount (ALHOA) expenditure as the source for its matching funds.
- To participate in the Local Housing Incentives Account Program, communities are required to contribute a specified amount of local resources to affordable housing each year they participate in the program. This contribution, or expenditure, is called the Affordable and Life-Cycle Housing Opportunities Amount (ALHOA). The ALHOA is equal to the community's share of the Council's annual LCA assessment. The LCA assessment is determined by a formula set forth in the LCA statutes. It is not a grant from the Livable Communities Account. In order to continue to participate in the program, communities must expend or contribute at least 85% of their annual ALHOA obligation. Communities have some flexibility in determining which local expenditures fulfill the ALHOA contribution. Examples of ALHOA-eligible expenditures include housing assistance, development or rehabilitation efforts, the costs of local housing inspection and code enforcement, and local taxes to support a local or county Housing and Redevelopment Authority.
- The Housing Performance Scores of the municipalities in which the housing either is located or is proposed to be located, are considered in inverse rank order in LCA LHIA funding recommendations.

Evaluation Process

All proposals received through the RFP process are reviewed by Minnesota Housing staff for completeness and evaluated pursuant to the MHIG criteria (listed above) 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 Funders' 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

LHIA grantees are required to make periodic progress reports. Detail supplied with payment requests comprises the bulk of these 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

2009
Funding Schedule
Funding Criteria
and
Selection Process

Land Acquisition for Affordable New Development 2009 Funding Schedule

2009 Available Funding: $440,000

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

Section 1: Background and Purpose

The Land Acquisition for Affordable New Development (LAAND) initiative of Minnesota Housing, the Metropolitan Council (Council) and the Family Housing Fund provides loan financing to encourage communities to meet their affordable housing need. The Council's intent in providing loan funding through the LAAND initiative is to provide funds to enable LCA-eligible communities to purchase land to be held for future affordable housing development. The funds are intended to enable Awardees to take advantage of current land prices to acquire parcels that will help them meet their affordable housing needs.

Intended to be a source of funding to meet communities' affordable housing needs by producing affordable new developments, the LAAND initiative integrates local control with Council priorities. The funding initiative 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 program in the development process.

Minnesota Housing, the Metropolitan Council, and the Family Housing Fund have collaborated to develop the parameters for funding the land acquisition. Ongoing funding has not yet been secured. Currently, approximately $440,000 is available for land acquisition activities in the Metropolitan area through the Livable Communities Act Demonstration Account, which may only go to LCA-eligible metropolitan communities.

Section 2: New LAAND Elements for 2009

There are no new elements for 2009.

Section 3: Eligible and Ineligible Uses of 2009 Funding

Land Acquisition and Development

The LAAND Initiative is intended to help defray land costs and hold land 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. Land costs in the area of the proposed project must be an impediment to affordable housing development.

Projects constructed on land acquired through the loan program shall have a minimum of 20 percent of housing units developed for affordable units. Units shall be affordable to families earning 60 percent of area median income (AMI) in the Metro area and 80 percent of AMI in Greater Minnesota.

In order to ensure that LAAND funds are used to acquire lands for future development and not just reduce financing costs for projects already underway at the time of the application or prior to the execution of the Metropolitan Council's LAAND loan agreement, neither Awardees or any potential developers: (a) may own (or have a purchase agreement for) the property for which LAAND loan funds will be used; and (b) may not have taken formal steps, other than an option, to acquire the property.

The Awardee must complete its purchase of the property no later than one (1) year after the date the Awardee was awarded a LAAND loan.

Development of the land purchased with Metropolitan Council LAAND loan funds for affordable housing may not commence within one year of execution of the loan agreement, but must commence within five years of execution of the loan agreement. If an Awardee is awarded funding, it may work with a developer of their choice to develop the site and determine its own structure for the transfer of ownership, if applicable. The Awardee shall submit updated plans three years from the date of the funding award that describe the number of units anticipated for the site and verify that all comprehensive plan, zoning, or other regulatory changes have been or will be implemented in preparation for development.

LAAND loan agreements and associated documents will be executed at the time the Awardee closes on the purchase of the property.

Funding Requirements and Priorities

Location of the land to be acquired must be consistent with the following strategic growth concepts:

1. the land 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);
2. capital improvements (infrastructure) must be programmed to coincide with the development of the site;
3. adjacent land must also be planned for development prior to 2020, including land guided for commercial development;
4. housing developed on the acquired land must meet the density requirements of the Green Communities criteria, Minnesota Overlay; and
5. 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:

1. Sites located within one-half mile of a transitway in the 2030 Transitway System – Northstar, Northwest, Cedar Avenue, I-35W, Central, Red Rock, Rush Line, Southwest, I-394, Hiawatha; or within one-half mile of a local bus route; or within one-half mile of a park-and-ride facility on an express commuter bus or express bus route;
2. Financial or in-kind contributions by local unit of government or employers that improve the affordability of the housing to be developed; or
3. 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.

As long as the Awardee owns the parcel or parcels purchased with LAAND loan funds, the Awardee will be responsible for the property and all holding costs associated with the property until the property is sold for development.

LAAND loan agreements are not assignable, and Awardees cannot re-loan LAAND loan funds to another party.

The funder will take a security interest in the land acquired.

The LAAND loan agreement is not assignable and the Awardee cannot re-loan LAAND loan funds to a third party. LAAND loan funds cannot be used to supplant other funding already available for the property purchase.

Revolving Loan Repayments

Appraisals

Before the LAAND loan agreement is executed, the Awardee will secure an appraisal of the parcel or parcels 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 another appraisal of the property. If the Awardee is also the developer, the Awardee will not begin development of the land until the Awardee has obtained another appraisal to determine the value of the property at the time of development.

Loan Repayment

LAAND loans are interest-free loans. However, under some circumstances, in addition to repayment of the principal loan amount, the LAAND loan agreement requires the Awardee to pay to the funders a portion of the amount by which the property value has appreciated since the Awardee purchased the property with LAAND loan funds.

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

If the value of the land has appreciated since the original purchase with LAAND Loan funds, the proceeds from the sale of the land shall be distributed in sequence as follows:

1. The principal amount of the loan shall be repaid to the funders.
2. A portion of the appreciated value equal to the portion of the total units in the development that are attributable to affordable units shall be retained by the developer.
3. If available, ten percent (10%) of the appreciation shall be repaid to the funders for additional land acquisition loans.
4. If available, the balance of the appreciation shall be used to:
    a) provide funds for additional land acquisition loans,
    b) provide gap financing for the affordable units, if needed, and/or
    c) help defray site correction costs, if any.

    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 land. If no agreement is reached, the balance of the appreciation in value shall be repaid to the funders.

If the value of the land at the time of sale has not appreciated or has depreciated since the loan was issued and the land was acquired, the loan amount or the appraised value at the time of sale, whichever is less, must be repaid to the Funders. Any deficiency in the loan will be forgiven.

If the land is not developed within the required time frame, or the required number of affordable units are not developed, the recipient of the loan must repay the loan plus all appreciation in value. If the property purchased with LAAND loan funds is sold for development other than the development identified in the Awardee's application, the Awardee will relinquish any appreciated land value above the appraised value of the property at the time of the LAAND loan.

Long Term Affordability

A seven (7) 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.

Costs Related to Acquisition

Costs of appraisals and environmental assessment of the site can be included in the loan amount. Other costs related to land acquisition or holding, such as taxes, insurance, site maintenance, etc. will be the responsibility of the recipient of loan funds. Holding costs paid by the recipient will be considered local contribution or leverage for purposes of evaluation of the proposal under the Economic Development and Housing Challenge program for the use of LAAND funds. Costs of demolition and removal of existing structures on the site and soil correction are not costs that can be included in the loan amount, but they may be addressed in the distribution of appreciated land value at the time of sale and development.

Section 4: Application Process

Eligible Applicants
Eligible applicants are defined on page 2 of this Fund Distribution Plan.

Minnesota Housing
Applications for LAAND loans are processed in conjunction with Minnesota Housing, through whom applicants may submit their applications.

Local Resolution/Receptivity Form
Any proposal for funds under this program must include 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 Metropolitan Council and the local unit of government.

Section 5: 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.

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.

June 15, 2009

Ms. Natalie Steffen, Chair, & Members of the Community Development Committee
Metropolitan Council
390 Robert Street North
St. Paul, MN 55101

Dear Chair Steffen and Members of the Community Development Committee:

I am writing from the Metropolitan Consortium of Community Developers (MCCD), an association representing 43 nonprofit community development organizations working throughout the Twin Cities, to echo the concerns expressed by the Association of Metropolitan Municipalities in regard to the proposed amendments to the extension process for the Livable Communities Act (LCA) grants program.

As the letter from Metro Cities points out, we find that right now is the time to remain flexible when considering issues of funding for community and economic development projects. Given the downturn in the economy and the uncertainty over when the recession will end, such flexibility in decisions over the extension policy within the LCA will help projects increase their chances for success. Like Metro Cities, we agree that delays in certain projects likely have come about due to the economic slowdown, not because of the inherent merit of a project.

Eliminating the ability for a new project to receive an extension does away with another tool that, in uncertain times, should be available to help ensure that a project will be able to work over the long term. We believe that limiting the extension policy will only serve to hamper worthy projects that have the potential to contribute significantly to the development of affordable housing and job creation in the metropolitan region, as many LCA projects have done so in the past. More than ever, at this time we need to make available more resources, not less, for community and economic development in order to stimulate our economy and to get our communities back to work.

Thank you very much for your time and consideration of theses comments, and please let me know if I can answer any questions or be helpful to you.

Sincerely,

Jim Roth
Executive Director

METRO CITIES
Association of Metropolitan Municipalities

June 12, 2009

Ms. Natalie Steffen, Chair, & Members of the Community Development Committee
Metropolitan Council
390 North Robert Street
Saint Paul, MN 55101

Dear Chair Steffen and Members of the Community Development Committee:

Thank you for the opportunity to comment on the proposed changes to the extension process for existing and future LCA grants. I understand that these recommendations will be considered at the Community Development Committee meeting on June 15th.

Metro Cities is particularly troubled by the recommendation to not allow extensions for new grants beyond a 30 month grant period. For many cities, the economic recession has meant delays for many projects. It would seem that difficult economic times, if anything, should beget changes to the LCA extension policy that increase flexibility, rather than diminishing it. As such, we would ask that you continue to maintain an extension process for new grants.

The LCA program encourages the clean up and redevelopment of polluted and blighted properties, to support innovative, mixed use developments and to add to our region's stock of affordable housing. It has created billions of dollars in public and private investment, thousands of jobs and thousands of affordable housing units, all through a modest property tax levy. This program recognizes the significant benefits that result from these investments, as well as the fact that the private sector does not generally undertake such projects without public sector involvement. The current decline in our economy has delayed some projects and increased the need for amendments and extensions. This is not a reflection on the worthiness or potential of particular projects, but the need to have a process that can accommodate circumstances beyond the control of cities and development authorities.

The Council's actions in recent years with respect to the LCA program, which include a reduction of the LCDA levy in 2006, other amendment restrictions, and a general continual scrutiny of the program, suggest a lack of support for the Livable Communities program. This year, we opposed the Council's legislative request to transfer up to 75% of Livable Communities funds for three years to address the transit operating deficit. Allowing the use of LCA funds for this purpose does little to address the structural problems with transit funding, and sets an alarming precedent

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