

Committee Report

C Community Development Committee

Item: 2007-208

For the Metropolitan Council meeting of September 26, 2007

ADVISORY INFORMATION

Date Prepared: September 18, 2007

Proposed Revisions to Livable Communities Program Grant Administration

Subject: Procedures — Changes to End Projects

Summary of Committee Discussion:

At the Community Development Committee's (CDC) meeting on June 18, 2007, Livable Communities staff requested that the committee endorse administrative procedures setting parameters within which grantee-requested amendments to end projects for which LCA funding was awarded would be authorized.

Subsequent to the June 18 meeting, new Council members were named and a new chair, Council Member Steffen, appointed for the CDC. At the August 20 meeting, at new Chair Steffen's request, a general discussion of this topic continued without consideration of any specific proposals from staff regarding possible approaches. Discussion concluded with a request from Council Member Pistilli that staff propose a process for grantees to amend their projects, including a step of ratification by the CDC.

Staff returned to the committee on September 17 to present a three-step process that will determine whether the requested amendment is a significant change, evaluate any proposed amendment deemed significant to determine its compliance with account-specific conditions, invite the grantee to present the proposed amendment to a Community Development Committee Review Panel comprised of three CDC members (at which time staff will also present a report on its review of the amendment), and bring the Review Panel's recommendation regarding disposition of the request to the CDC for action.

During discussion of the item at the September 17 CDC meeting staff responded to questions about the length of time a grantee is entitled to the grant funds awarded and what happens to funds relinquished by cities, and clarified the role proposed for the CDC in approving an amendment. Patricia Nauman, representing Metro Cities, spoke in support of the procedures as proposed, after which the committee directed staff to implement the amendment procedures as set forth in the staff memo.

Recommendation:

That the Metropolitan Council direct staff to implement the proposed grant administration procedures to address requests for revisions to the end projects (not LCA-funded elements) originally proposed as the development or redevelopment outcome in proposals assisted by Livable Communities grant awards.

C Community Development Committee

Meeting date: September 17, 2007

For the Metropolitan Council Meeting of September 26, 2007

ADVISORY INFORMATION

Date:	September 10, 2007
Subject:	Proposed Revisions to Livable Communities Program Grant Administration Procedures – Changes to End Projects
District(s), Member(s):	All
Policy/Legal Reference:	MN Statutes Sec. 473.25 Livable Communities Act
Staff Prepared/Presented:	Guy Peterson, Director, Community Development Jan Gustafson, Manager, Livable Communities Program
Division/Department:	Community Development/Livable Communities

Proposed Action/Motion

That the Community Development Committee direct staff regarding an appropriate course of action to address requests for revisions to the end projects (not LCA-funded elements) originally proposed as the development or redevelopment outcome in proposals assisted by Livable Communities grant awards.

Background

At the Community Development Committee's (CDC) meeting on June 18, 2007, Livable Communities staff requested that the committee endorse modification of the current Livable Communities grant administration procedures to include parameters within which the Community Development Director could authorize an administrative amendment to revise the end project for which funding was granted.

Committee discussion of the staff request included a number of questions, and concluded with the chair's expression of a preference—supported by members—for the CDC to act case-by-case to consider current requests and delay a decision about modifying grant amendment procedures until the committee is more certain regarding the frequency of such requests and their effect on Livable Communities program implementation. The chair directed staff to include on the CDC's next agenda a discussion regarding current requests for amendments to end development or redevelopment projects for which LCA funding was awarded to assist a particular element(s) of the project.

Subsequent to the June 18 meeting, new Council members were named and a new chair, Council Member Steffen, appointed for the CDC. These changes resulted in delaying further discussion of this issue until the committee's August 20 meeting. At the August meeting, at Chair Steffen's request, a general discussion of this topic continued without consideration of any specific proposals from staff regarding possible approaches.

Guy Peterson introduced the topic, providing an example of one project which has received two LCA grants for which the city is requesting to amend the project description for grants awarded in 2006 and 2007 due to changes in market conditions. In this case, the grantee has not expended LCA funds, but wishes to move forward and is waiting for a decision from the Council before proceeding. Several committee members acknowledged that changes caused by market conditions should be recognized in the LCA grant agreement process.

It was suggested that one avenue for review could be a subcommittee of the CDC serving as an “appeals board” to hear requests and make recommendations to the CDC. Council Member Pistilli requested that staff propose a process for grantees to amend their projects, including a step of ratification by the CDC. A draft process follows for the committee’s consideration.

PROPOSED REVISIONS TO THE GRANT ADMINISTRATION PROCEDURES

Process for Amending Livable Communities Grant Awards in Response to Requests for Changes to the End Development/Redevelopment Project

Grantees will be informed that **all requests to amend the end development project or redevelopment project as described in an LCA grant agreement must be made in writing.** Information provided must include:

- the proposed amendment(s)
- an explanation as to why the proposed change is necessary

Decisions regarding disposition of requests to amend end projects will be made through a three-step process summarized as follows and further defined below:

1. Determine whether the requested amendment to the end project is a significant change.
2. If the change is deemed to be significant, Livable Communities staff will A) review the request and prepare a report stating whether the project, as amended, meets specific conditions that would suggest that the Community Development Committee should approve the amendment and B) invite the grantee to present the proposed amendment to the Community Development Committee Review Panel.
3. Convene a three-member CDC Review Panel to consider the grantee's request and recommend action to the full Community Development Committee.

STEP ONE — DETERMINE WHETHER THE REQUESTED AMENDMENT IS A SIGNIFICANT CHANGE

Decisions as to whether or not proposed changes to end projects are **significant** will be based on consideration of the account-specific legislative outcomes and on the factors considered when the application for funding was scored. For example, some end project proposals do not include jobs...others do not include housing units. **Only the factors applicable to the end project as originally proposed will be evaluated.**

For the **Tax Base Revitalization Account**, a proposed change will be considered **significant** if the change:

- proposes to replace the end project as originally proposed with a completely different end project, or
- will result in a reduction of 20 percent or more of the total net tax capacity expected to be generated by the redevelopment as originally proposed, or
- proposes to reduce by 15 percent or more, or by 50 jobs, (whichever is higher) the total number of new or retained jobs, or
- proposes to reduce by 10 percent or more, or by 50 units, (whichever is higher) the total number of housing units, or
- proposes to reduce the total number of affordable housing units by 20 percent or more from the project as originally proposed.

For the **Livable Communities Demonstration Account**, a proposed change will be considered **significant** if the change:

- proposes to replace the end project as originally proposed with a completely different end project, or
- proposes to substantially change the mix and type of land uses originally proposed in a way inconsistent with program objectives, or substantially change the nature of the project originally proposed, or

- will reduce the overall project density below the density guidelines for developments in the project location, or 20 percent below the density originally proposed (whichever is higher), or
- proposes to reduce by 10 percent or more, or by 50 units, (whichever is higher) the total number of housing units, or
- proposes to reduce the total number of affordable housing units by 20 percent or more from the project as originally proposed.

For the **Local Housing Incentives Account**, a proposed change will be considered **significant** if the change:

- proposes to replace the end project as originally proposed with a completely different end project, or
- proposes to reduce by 20 percent or more the total number of affordable housing units, or
- no longer meets Minnesota Housing funding requirements resulting in the withdrawal of Minnesota Housing funds from the project.

STEP TWO — EVALUATE THE PROPOSED AMENDMENT

If the purpose for which the funds were awarded remains the same, but the requested amendment proposes **significant changes to the end development or redevelopment project** as described in the grant as awarded by the Council’s governing body (e.g. changing an LCDA or TBRA end project in its entirety from residential development to retail uses or— for LHIA grants—changing the end project from rental apartments to owner-occupied single-family homes), the Community Development Committee may authorize an amendment to the project description included in the grant agreement provided that the end project, as revised, will produce the intended results described in the Livable Communities Act (in italics) and meets additional account-specific conditions as follows:

Tax Base Revitalization Account—

- *provide the highest return in public benefits for the public costs incurred, encourage development that will lead to the preservation or growth of living-wage jobs or the production of affordable housing, and enhance the tax base of the recipient municipality, and,*
- meets the account eligibility criteria, and
- if the revised end project is acceptable to the Council’s polluted site cleanup funding partners that have also granted funds to the project, and
- if the revised end development or development project would score similarly to the original end project (i.e., rank within the list of projects recommended for funding) in the jobs/housing and tax base increase categories;

Livable Communities Demonstration Account—

- *interrelate development or redevelopment and transit; interrelate affordable housing and employment growth areas; intensify land use that leads to more compact development or redevelopment; involve development or redevelopment that mixes incomes of residents in housing, including introducing or reintroducing higher value housing in lower income area to achieve a mix of housing opportunities; or encourage public infrastructure investments which connect urban neighborhoods and suburban communities, attract private sector redevelopment investment in commercial and residential properties adjacent to the public improvement, and provide project area residents with expanded opportunities for private sector employment, and*
- meets the account eligibility criteria, and
- if an examination of the record of review for the grant award indicates that the end development/redevelopment project, as amended, would still include the demonstration and innovation elements that contributed to the Livable Communities Advisory Committee’s selection of the project for funding, and, in addition,
- (for projects awarded funds in 2006 or later) if the revised end development/redevelopment project would score similarly (i.e. would score at least 20 points [the threshold level] in the Step One evaluation) to the original end project in the staff technical evaluation.

Local Housing Incentives Account—

- *create incentives for developing communities to include a full range of housing opportunities; create incentives to preserve and rehabilitate affordable housing in the fully developed area,*
- meets the account eligibility criteria, and
- if the revised end development/redevelopment project is acceptable to the Council's Metropolitan Housing Implementation Group funding partners that have also granted funds to the project.

STEP THREE — CONVENE THE CDC REVIEW PANEL

Community Development Committee decisions regarding compliance with the above conditions will be made in the following manner:

- A Review Panel subcommittee of the Community Development Committee consisting of three committee members appointed by the committee chair will convene to consider requests for significant changes to end projects.
- Representatives of the grant award recipients will be asked to present to the Review Panel their requests for a change to the original end project and will be available to answer panel members' questions.
- Staff will provide the Review Panel with a memorandum assessing the proposed amendments' eligibility and compliance with additional account-specific criteria and reporting the results of the rescoring of end projects as amended.
- The Review Panel will consider the information provided and make recommendations to the Community Development Committee for a final decision regarding disposition of the requests for amendments.
- The Community Development Committee will endeavor to inform grantees of the committee's decision regarding requested amendments in writing within 45 days of receipt of the grantees' written requests, subject to the committee's meeting schedule.

Implementation of the Livable Communities Act Program will continue to focus on partnering with communities to achieve local plans and objectives consistent with the Council's *2030 Regional Development Framework*. LCA staff will continue to hold grantees accountable for funded projects, monitoring progress and contacting communities to help resolve issues for funded projects on which progress is delayed.

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