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Regional

Report

**2006 Annual Livable  
Communities Fund  
Distribution Plan**

**April 12, 2006**



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**T**he mission of the Metropolitan Council is to develop, in cooperation with local communities, a comprehensive regional planning framework, focusing on transportation, wastewater, parks and aviation systems, that guide the efficient growth of the metropolitan area. The Council operates transit and wastewater services and administers housing and other grant programs.

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## BACKGROUND

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

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

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

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

- The TBRA has the same amount available each year: a levy capped at \$5,000,000.
- The LCDA also is funded by a levy. The amount for the LCDA varies annually as the levy is applied to the changing regional tax base.
- Funding for LHIA comes from \$500,000 transferred from the LCDA levy, plus \$1,000,000 annually from the Council's general fund.

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

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

This year, the funds available for distribution through the Livable Communities Demonstration Account also include \$500,000 carried forward from funds available for distribution during 2005 but not awarded.

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 *2006 Annual Livable Communities Fund Distribution Plan* is the eleventh 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 2006. If significant additional monies accrue to any account during 2006 due to the recovery of unexpended or relinquished funds, those additional dollars may be included in the amount of money available for distribution during the fall round of grant awards for that particular account or carried forward to the 2007 fund distribution plan.

While the annual fund distribution plan usually includes the proposed funding amounts, calendars and funding criteria for all three accounts in the Livable Communities Fund, this year the Livable Communities Demonstration Account (LCDA) is undergoing a separate study by a Council working group. The calendar and

funding criteria for the LCDA account will be considered by the Community Development Committee and the Council when the working group concludes its review.

The Community Development Committee reviewed the funding criteria and selection process for the Tax Base Revitalization Account and the Local Housing Incentives Account prior to recommending approval of the plan. The criteria in the distribution plan include revisions made as a result of the committee's discussions.

## **2006 FUNDS AVAILABLE FOR GRANT AWARDS**

The annual fund distribution plan for 2006 is presently estimated to include:

- \$5.82 million in the Tax Base Revitalization Account (TBRA),
- \$8.8 million in the Livable Communities Demonstration Account (LCDA), and
- \$1.66 million in the Local Housing Incentives Account (LHIA)

The following sections of this document provide the "criteria for project and applicant selection" for the Tax Base Revitalization Account and the Local Housing Incentives Account. A funding round schedule for each account is also included. The funding round schedule and criteria for project and applicant selection for the Livable Communities Demonstration Account will be approved by the Council at the conclusion of the Council working group.

# TAX BASE REVITALIZATION ACCOUNT

2006

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

## Tax Base Revitalization Account 2006 Funding Schedule

**2006 Available Funding: \$5.82 Million**

**Round 1 (Spring) Available Funding: \$2,910,000**

<b>Date</b>	<b>Activity</b>
January 31	Issue request for proposals
February 23	Grant Applicant Workshop -- held jointly with Department of Employment and Economic Development (DEED) and other public cleanup funding agencies.
May 1	Applications Due
May 1 – June 16	Application review – coordinate evaluation and funding recommendations with DEED, the MPCA, the Department of Commerce, the Department of Agriculture, the Department of Health, Hennepin County, Ramsey County, and others as appropriate.
June 19	Community Development Committee recommends grant awards
June 28	Metropolitan Council awards grants

**ROUND 2 (Fall) Available Funding: \$2,910,000**

<b>Date</b>	<b>Activity</b>
August 1	Issue request for proposals
August (date to be determined)	Grant Applicant Workshop -- held jointly with DEED and other public cleanup funding agencies.
November 1	Applications Due
November 1 – December 15	Application review – coordinate evaluation and funding recommendations with DEED, the MPCA, the Department of Commerce, the Department of Agriculture, the Department of Health, Hennepin County, Ramsey County, and others as appropriate.
December 18	Community Development Committee recommends grant awards
December 27	Metropolitan Council awards grants

# **Tax Base Revitalization Account**

## **Funding Criteria and Selection Process**

(The Council's Policy Restricting Metropolitan Council LCA Grants for Projects Using Eminent Domain for Economic Development applies to all TBRA applications submitted in 2006. All other information is applicable for grants awarded Fall 2006 and Spring 2007)

### **Section 1: BACKGROUND AND PURPOSE**

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

### **Section 2: ELIGIBLE APPLICANTS**

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

### **Section 3: ELIGIBLE USE OF FUNDS**

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

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

Beginning with grant funding cycles initiated in calendar year 2006, no applicant for a Metropolitan Council LCA grant shall be eligible for LCA grant funds from the Metropolitan Council if the project for which an LCA grant is requested requires the exercise of eminent domain authority over private property for purposes of *economic development* as defined by Council policy. ([www.metrocouncil.org/services/livcomm.html](http://www.metrocouncil.org/services/livcomm.html)) The policy states that the prohibition regarding the use of eminent domain does not include "acquiring private property to remediate or clean up pollution or contamination that threatens or may threaten public health or safety or the environment, if the Applicant certifies: (i) the property owner is unable or unwilling to pay for appropriate remediation or clean up; (ii) remediation or clean up must occur expeditiously to eliminate or mitigate the threat to public health or safety or the environment; and (iii) no Responsible Party has been identified or is financially capable or carrying out the remediation or clean up." "[A]cquiring abandoned property or acquiring "blighted" property as that term "blighted" is defined and used in Minnesota Statutes chapter 469" also is an exception to the eminent domain policy.

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

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

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

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

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

- Increase the number of long-term jobs for the region—up to 10 points.
- Retain existing jobs—up to 5 points.
- Preserve and/or increase living wage jobs (\$12.50/hour for purpose of this application)—up to 5 points.
- Increase living wage jobs in/near areas of concentrated poverty and demonstrate linkages between jobs and housing for local residents—5 points.
- Any of the 25 “jobs points” not awarded for jobs are eligible for “affordable housing points.” Affordable housing is defined as ownership housing units affordable at 80% or less of area median income (\$193,700 in 2005) or rental housing units affordable at 50% or less of AMI (\$687/month to \$1020/month depending upon the size of the unit)—0 to 25 points.

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

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

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

Show how the project supports Framework 2030 goals to:

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

Show how the project is integrated with Regional Systems:

- Environmental Services—0 to 3 points. Transportation (including transit and aviation)—0 to 3 points. Regional Parks—0 to 3 points.

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

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

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

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

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

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

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

**Supplemental Funding (5 points)**

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

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

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

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

Applications may be determined ineligible for funding if:

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

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

**Section 5: LOCAL SUPPORT**

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

**Section 6: REPORTING REQUIREMENTS**

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

**Section 7: PROCEDURES**

Applicants may write or call to request application packets from the Metropolitan Council, 230 East Fifth Street, St. Paul, MN 55101-1634. Any correspondence after June 1, 2006, should be addressed to the Metropolitan Council at 390 North Robert Street, St. Paul, MN 55101. Application materials are also available on-line in the Community Assistance section under the Services and Programs heading (see "Livable Communities") at [www.metrocouncil.org](http://www.metrocouncil.org). Any questions should be directed to Michael McDonough at 651-602-1054. This Notice of Funding Availability is subject to applicable federal, state, and municipal laws, rules and regulations.

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

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

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

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

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

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

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

Also provide two copies of the following additional information:

1. Authorized official(s) who would execute a contract to expend the funds.
2. Resolution authorizing the submission of the application to the Metropolitan Council.
3. Indicate if the site is in a tax increment finance district. (The property tax information provided in the DEED application replaces the "net tax capacity" information requested in previous Metropolitan Council applications)
4. Mechanisms/programs in place to ensure that local residents will have appropriate access to new jobs created.
5. Section of the municipality's comprehensive plan addressing the site.
6. Clarify the amount requested from the Metropolitan Council if this is not explicit in the DEED application.
7. Clarify the anticipated sources of private and public investment in the entire redevelopment including items like building construction that are not included in the "project budget" indicated in the DEED application.

LIVABLE COMMUNITIES  
DEMONSTRATION ACCOUNT

2006

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

**Livable Communities Demonstration Account  
2006 Funding Schedule**

2006 Available Funding: \$8.8 Million for Development Grants

**TO BE APPROVED BY SEPARATE COUNCIL ACTION  
AT A LATER DATE**

**LIVABLE COMMUNITIES DEMONSTRATION ACCOUNT**  
**Development Grants**

**Funding Criteria and Selection Process**

Funding Available in 2006: \$8.8 Million

**TO BE APPROVED BY SEPARATE COUNCIL ACTION**  
**AT A LATER DATE**

LOCAL HOUSING INCENTIVES  
ACCOUNT

2006

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

## Local Housing Incentives Account 2006 Funding Schedule

**2006 Available Funding: \$1.66 million**

### Ownership Programs ROUND 1:

<b>Date</b>	<b>Activity</b>
December 2005	Minnesota Housing Finance Agency (MHFA)/Metropolitan Housing Implementation Group (MHIG) Issue Request for Proposals (RFP)
February 9	Application Deadline
February 13 – March 30	MHFA/MHIG staff review applications
April 27	MHFA Board acts on recommendations from MHIG for RFP selections
May 15	Community Development Committee recommends grant awards
May 24	Metropolitan Council awards grants

### Ownership Programs ROUND 2: Tentative Schedule

<b>Date</b>	<b>Activity</b>
June 5 (Tentative)	MHFA/MHIG Issues RFP
July 13	Application Deadline
July – August	MHFA/MHIG staff review applications
October 26	MHFA Board acts on recommendations from MHIG for RFP selections
To Be Determined	Community Development Committee recommends grant awards
To Be Determined	Metropolitan Council awards grants

## Rental Programs

Date	Activity
May 1	Minnesota Housing Finance Agency (MHFA)/Metropolitan Housing Implementation Group (MHIG) Issue Request for Proposals (RFP)
May, 2006	RFP Workshops for Metropolitan Area at MHFA
June 26	Application Deadline
July 1 – September 30	MHFA/MHIG staff review applications
October 26	MHFA Board acts on recommendations from MHIG for RFP selections
To Be Determined	Community Development Committee recommends grant awards
To Be Determined	Metropolitan Council awards grants

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

(The Council's Policy Restricting Metropolitan Council LCA Grants for Projects Using Eminent Domain for Economic Development applies to all LHIA applications submitted in 2006. All other information is applicable for grants awarded Fall 2006 and Spring 2007)

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

### **ADDITIONAL MHIG FUNDING CRITERIA for Livable Communities Act-Local Housing Incentives Account (LHIA)**

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

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

#### **Threshold Criteria**

- To be eligible, a municipality must have: 1) elected to participate in the Livable Communities Act Local Housing Incentives Account program; 2) negotiated housing goals adopted by the Metropolitan Council; and 3) identified to the Council the actions it plans to take to achieve these negotiated housing goals.
- The municipality must be actively pursuing various ways to meet its negotiated affordable and life-cycle housing goals.
- The municipality must match the amount of the LHIA funds to be awarded with a local affordable housing investment or contribution of an equal amount.
- New construction homeownership programs seeking assistance through the LCA LHIA funds must have a significant component of the program serving households with incomes at or below 60 percent of area median income. Other homeownership, rehabilitation, home improvement, and acquisition, demolition and resale programs may serve households at up to 115 percent of area median income in areas of low-valued, blighted and substandard properties where the local government is engaged in a redevelopment and neighborhood improvement effort to which it has committed matching local funding.

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

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

### **Competitive Criteria**

(Other factors to be considered)

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

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