

2010 Annual Livable Communities Fund Distribution Plan

April 14, 2010

Metropolitan Council

390 Robert Street North, St. Paul, Minnesota 55101

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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 265 TBRA grants awarded through 2009, for a total of over \$77.7 million.
 - TBRA Cleanup grants provide funding to assist with cleanup of polluted land in the metropolitan area.
 - TBRA Cleanup-Site Investigation grants provide funds for contaminated site investigation activities such as Phase I and Phase II environmental site investigations, preparation of Response Action Plans, or hazardous material surveys for asbestos or lead-based paint.
- The **Livable Communities Demonstration Account (LCDA)** funds development and redevelopment projects that lead to development patterns that link housing, jobs and services, and that use infrastructure and regional facilities efficiently. There have been 170 LCDA grants awarded through 2009, for a total of over \$90.6 million.
 - LCDA Development grants provide assistance with site assembly and basic public infrastructure for qualifying projects.
 - LCDA Pre-Development grants help to support activities that will lay the groundwork for successful development implementation.
- The **Land Acquisition for Affordable New Development (LAAND)** program, created in 2008, uses monies from the LCDA fund to create no-interest loans to LCA communities to acquire land for future Affordable Housing projects. There were four loans awarded in 2008 and one in 2009, for a total of \$4,000,000.
- The **Local Housing Incentives Account (LHIA)** helps expand and preserve lifecycle and affordable rental and ownership housing. There have been a total of 125 LHIA grants awarded through 2009, for a total of \$21.7 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. This fund is no longer active.

Minnesota Statutes 473.25 requires that the council prepare an annual plan for distribution of the fund based on the criteria for Project and applicant selection. The *2010 Annual Livable Communities Fund Distribution Plan* is the 14th fund distribution plan prepared for the Livable Communities Fund.

Funding sources

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

- TBRA and LCDA are funded by a property tax levy established in the Metropolitan Council's annual budget. The TBRA is capped at \$5,000,000 annually.
- LHIA funding includes \$500,000 transferred from the LCDA plus \$1,000,000 annually from the Council's budget.
- LAAND is composed of funds transferred from the LCDA account.

2010 funds available for award

Legislation passed in 2009 authorized the Council to transfer to its transit operating budget in 2009, 2010, and 2011 money that is not committed to grant or loan awards made by the Council as follows:

- up to 50 percent of the revenues and amounts credited, transferred, or distributed to the TBRA or LCDA in 2009, 2010 and 2011;
- balances in the Livable Communities fund accounts in 2009, 2010, and 2011.

The amount of Livable Communities Act (LCA) funding available for distribution each year may be greater than legislatively authorized amounts. The additional funds derive from two sources:

- balances from grant projects either completed the previous year with remaining unexpended 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.

The dollar amounts set in the Fund Distribution Plan are the base amounts for grants to be awarded during 2010. If significant additional monies accrue to any account during 2010 due to 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 2011 Fund Distribution Plan, or included in funds shifted to the transit operating budget.

The funds available for 2010 are estimated to include:

- \$5 million for TBRA, with up to \$500,000 of that available for Cleanup-Site Investigation grants;
- \$7.5 million for LCDA, with up to \$1 million of that amount available for Pre-Development grants and \$1 million available for the LAAND loan program; and
- \$1.5 million in the Local Housing Incentives Account (LHIA).

Sections of this document follow which provide the criteria for Project and applicant selection for the three active Livable Communities Fund programs. 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 and metropolitan counties and development authorities (e.g., Housing and Redevelopment Authority, Economic Development Authority, Community Development Authority or Port Authority). All LCA-participant communities in good standing are eligible to apply for LCA funding.

New in LCA for 2010

- *LCDA Pre-Development grants.* This Plan includes provisions that re-establish Pre-Development grants that would help LCA communities better prepare for successful development projects.
- *TBRA Cleanup-Site Investigation grants.* This Plan includes provisions for TBRA Cleanup-Site Investigation grants, with a key scoring factor being the site's potential for a subsequent redevelopment project.
- *Use of LCA grants as loans.* Under certain circumstances that will allow grantees to better leverage Low income Housing Tax Credits, LCA grants may be used as loans to subrecipients. Applicants interested in being considered to be allowed to use grant funds in this manner must clearly propose to use grant funds as loans to sub-recipients in their grant application and must treat the loans as true loans that when repaid will be reinvested in the same Project or be returned to the Council, as determined by the Council.
- *Grant term extensions and limitations.* In past years, grant terms were two years, with the possibility of a one-year extension, which was approved administratively. For 2010, any request for a one year extension beyond the initial term of the grant must be acted on by the full Metropolitan Council, after review by the Community Development Committee.
 - Requests for second extensions will not be considered.
 - LCDA Pre-Development grants have two year terms and are not eligible for an extension.
 - TBRA Cleanup-Site Investigation grants have a one-year term and are not eligible for any extension.

Definition of terms

- The *Project* is the development or redevelopment project identified in the application for funds for which grant funds were requested and provides the deliverables upon which the application was scored.

- The *Grant-Funded Activities* are components of the Project described in the application. The Grant-Funded Activities do not in and of themselves comprise the Project for which grant funds are awarded.
- The *Project Area* is the specific geographic Project Area for which LCDA Pre-Development activities will be conducted.
- *Affordable* housing is ownership or rental housing affordable to households earning 60% or less of Area Median Income (AMI).

Activities that must be completed within the terms of the grants

- For TBRA Cleanup grants, the Grant-Funded Activities must be completed *and* the Project supported by the grant must have commenced within the two-year term of the grant.
- For LCDA Development grants and LHIA grants, the Grant-Funded Activities *and* the Project must be completed within the two year term of the grant.
- The LCA Grant-Funded Activities are performed in support of the Project but do not in and of themselves constitute the Project.
 - TBRA Cleanup-Site Investigation Grant-Funded Activities must be completed within the one-year term of the grant.
 - LCDA Pre-Development Grant-Funded Activities must be completed within the two-year term of the grant.
 - For LAAND loans, the land must be purchased and the loan closed within one year of the Council's award of the loan.

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 of carrying out the remediation or clean up."

Acquiring 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.

Award limits

Except for LCDA Pre-Development grants, TBRA Cleanup-Site Investigation grants and distribution limits established for cities by statute, no minimum or maximum award levels for projects have been established. 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

2010 Funding Schedule Funding Criteria and Selection Process

Tax Base Revitalization Account 2010 Funding Schedule

2010 Available Funding for TBRA Grants: \$5 Million, including up to \$0.5 Million for Cleanup-Site Investigation Grants

Month	Activity - Round 1 (Spring)
February	Grant Applicant Workshop - held jointly with DEED and other public cleanup funding agencies
April	Notice of Funding Availability
May 17, 2010	Applications due
May – June	Application review – coordinate evaluation and funding recommendations with DEED; the Minnesota Pollution Control Agency; the Minnesota Departments of Commerce, Agriculture, and Health; Hennepin County; Ramsey County; and others as appropriate
June	Community Development Committee recommends grant awards
July	Metropolitan Council awards grants
Month	Activity - Round 2 (Fall)
August	Notice of Funding Availability
August	Grant Applicant Workshop - held jointly with DEED and other public cleanup funding agencies
November 1	Applications due
November – December	Application review – coordinate evaluation and funding recommendations with DEED; the Minnesota Pollution Control Agency; the Minnesota Departments of Commerce, Agriculture, and Health; Hennepin County; Ramsey County; and others as appropriate
December	Community Development Committee recommends grant awards
December / January 2011	Metropolitan Council awards grants

Tax Base Revitalization Account

Section 1: Background and purpose

The Metropolitan Livable Communities Act (MN Statutes Chapter 473.252) created the **Tax Base Revitalization Account** (TBRA). The TBRA provides funds to investigate and 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 in 2010 twice annually with applications accepted in May and November. In 2010, a maximum of \$500,000 of the funding available may be used for Cleanup-Site Investigation grants.

Applicants will choose one of the following two grant categories for each proposal submitted for funding:

- Cleanup-Site Investigation grants are intended for applicants that have a redevelopment site with suspected or perceived contamination and are seeking public funding to determine the scope and severity of the contamination and to develop a cleanup plan.
- Contamination cleanup grants are intended for applicants that have recently completed their cleanup site investigation and are seeking public funding to reimburse the cost of environmental investigation, implement a cleanup plan and begin redevelopment.

Section 2: New TBRA elements for 2010

In 2010, the Livable Communities program includes a new TBRA category for Cleanup-Site Investigation grants.

Section 3: Partnerships and coordination

TBRA awards are coordinated with complementary programs at the Minnesota Pollution Control Agency (MPCA), Minnesota Department of Employment and Economic Development (DEED), Hennepin County and Ramsey County.

Section 4: Application process

Interested parties may obtain a Cleanup or a Cleanup-Site Investigation 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

Tax Base Revitalization Account (TBRA) 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 the 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 and Cleanup (VIC) Program or the Petroleum Brownfields Program (PBP) a minimum of 45 days prior to the Metropolitan Council application deadline. The MPCA requires this 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 proposed Project is located. 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.

Award Limits

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).

Section 5: Competitive process, eligible and ineligible uses for Cleanup-Site Investigation grants

Eligible Uses

Eligible expenditures include Cleanup-Site Investigation activities such as:

- Phase I and Phase II environmental site investigations.
- Preparation of approved RAPs developed in conjunction with the MPCA for soil or ground water contamination or hazardous waste that meet the requirements for the VIC Program and/or the PBP at MPCA.
- 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.

Ineligible Uses

- No investigation costs incurred prior to the date of a grant award will be eligible for consideration.
- No contamination cleanup costs are eligible.
- Costs incurred to prepare or submit applications are ineligible.

Scoring criteria

The Metropolitan Council is required to consider certain factors in order to ensure the highest return of 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 Minnesota Department of Commerce, and, when applicable, others, may also be a part of the process of evaluating applications.

Other considerations

If the proposed redevelopment activities include a residential component, a portion of this housing is required to be affordable. For TBRA applications submitted in 2010, Affordable Housing is defined as ownership or rental housing affordable to households earning 60% or less of Area Median Income (AMI).

Cleanup-Site Investigation Applications

Applications will be ranked according to the extent to which they demonstrate the potential to achieve:

Tax Base (5 points)	
Estimated increase to the tax base of the recipient municipality based on a project planned and/or committed to the site	5 points
Jobs and/or affordable housing (5 points):	
<ul style="list-style-type: none"> • Potential to increase the number of new full-time equivalent jobs for the region • Potential to retain existing jobs full-time equivalent jobs for the region • Potential to add affordable rental or ownership housing units 	5 points
Brownfield clean up/environmental health improvements (15 points):	
Site to be investigated and ultimately cleaned up is one of the most contaminated sites and will provide the greatest improvement in the environment and the greatest reduction in human health risk compared to other cleanup-site investigation proposals	7 points
Site and suspected contamination would lend itself to the use of green remediation practices	4 points
Applicant’s track record of successful completion of cleanup of sites with prior Council-funded environmental investigations	4 points

Compact and Efficient Development (15 points):	
Show how the Investigation supports Metropolitan Council 2030 Regional Development Framework goals by:	
Measuring anticipated density of the likely Project (Floor Area Ratio)	5 points
Proximity of the potential development site to transit	5 points
Re-use of vacant or abandoned sites	5 points
Readiness/Market demand (15 points)	
Demonstrate readiness to proceed with cleanup-site investigation	5 points
Demonstrate readiness to proceed with site cleanup	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 a developer and any non-residential tenants	5 points
Partnership (5 points)	
Demonstrate any already established financial partnership. Points awarded for committing matching funds beyond minimum 25% match	5 points
TOTAL	60 points

Cleanup-Site Investigation applications will be determined ineligible for funding if:

- a current property owner or developer caused the property to be contaminated;
- no known or suspected environmental contamination is demonstrated;
- an analysis of the proposal determines the funding is not needed in order for the project to proceed;
- the application does not score at least 40% (24 points) of the total points available (60 points); or
- for asbestos or lead-based paint survey requests, if the building area is less than 10,000 gross square feet per structure.

Cleanup-Site Investigation applications may be determined ineligible for funding if:

- cleanup 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 (Minnesota Statutes §473.859, Subd. 5).

Other considerations:

- The applicant must pay for at least 25% of the total investigation costs as a local match.
- The maximum investigation award is \$50,000 per site.
- Environmental investigations must be completed within one year of the award of the grant.

Section 6: Competitive process, eligible and ineligible uses for Cleanup Grants

The Metropolitan Council is required to consider certain factors in order to ensure the highest return of 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, may also be a part of the process of evaluating applications.

Eligible Uses

Examples of eligible uses include investigation as well as implementing a cleanup or abatement:

- Contaminated site investigation activities must have occurred no earlier than 180 days prior to the deadline of the TBRA grant funding cycle and must accompany an eligible cleanup grant request. Investigating the extent and/or nature of soil or ground water contamination as well as asbestos and lead-based paint surveys such as:
 - Phase I and Phase II environmental site investigations.
 - Preparation and implementation of approved RAPs developed in conjunction with the MPCA for soil or ground water contamination or hazardous waste that meet the requirements for the VIC Program and/or the PBP at MPCA.
 - Hazardous materials surveys for asbestos and or lead-based paint that meet the requirements for AHERA standards for asbestos and applicable federal and state laws, rules and standards governing lead abatement.
- 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.
- The funds may be used, consistent with DEED guidelines, to provide up to 13% of the investigation/clean up cost as the local match required for a grant from DEED's Contamination Cleanup Grant Program.

Note: More detail on eligible costs is 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:

- The cleanup work for which funding is being requested must have occurred no earlier than 180 days before the TBRA application deadline.
- 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.
- 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.
- 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:
 - the applicant is going to start project cleanup work before the next TBRA application deadline; and the applicant has the appropriate approvals (see second bullet above), and
 - 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.

Contamination Cleanup Applications

Contamination cleanup 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
Add tax revenue in the near term. (Projects not in a Tax increment Finance (TIF) district earn 5 points because all the affected tax jurisdictions benefit immediately.)	5 points
Jobs and/or affordable housing (25 points):	
<ul style="list-style-type: none"> • Increase the number of jobs for the region • Retain existing jobs • Preserve and/or increase living wage jobs (\$12.50/hour excluding benefits for purpose of this application) • Increase living wage jobs in/near areas of concentrated poverty and demonstrate linkages between jobs and housing for local residents • Add affordable rental or ownership housing units 	25 points
Brownfield cleanup/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 of conservation-oriented site design	1 point
Supplemental Funding (5 points):	
Supplement active TBRA grants 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):	
Meet established housing performance goals as measured by the housing performance score of the community hosting the TBRA project, as determined by the Metropolitan Council.	10 points
TOTAL	150 POINTS

Cleanup-site 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)

Cleanup applications may be determined ineligible for funding if an analysis of the proposals determines:

- 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 (Minnesota Statutes §473.859, Subd. 5).

Other considerations:

- Cleanups must be completed within the grant term.
- Redevelopment project construction must commence within the grant term.
- If the proposed redevelopment activities include a residential component, a portion of this housing is required to be affordable. For TBRA applications submitted in 2010, Affordable Housing is defined as ownership or rental housing affordable to households earning 60% or less of Area Median Income (AMI).

Section 7: Reporting Requirements

TBRA grantees are required to submit 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 Cleanup-Site Investigation grants must also submit to the Metropolitan Council at the closure of the grant a copy of the environmental investigation documents and approval of the response action plan by the MPCA VIC or PBP program. Recipients of TBRA cleanup grants must also submit a report annually to the Metropolitan Council after the end of the grant term and for four years, stating:

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 2010 application, a living wage is \$12.50 per hour/\$26,000 per year excluding benefits.

Livable Communities Demonstration Account

2010 Funding Schedule, Funding Criteria and Selection Process

Livable Communities Demonstration Account

2010 Available Funding for LCDA Grants: \$6.5 Million, including up to \$1 Million for Pre-Development Grants

Month	Activity
April	Post grant application materials on www.metrocouncil.org
April	Hold workshops for interested applicants; dates and locations to be posted on the Metropolitan Council's internet site
May 28, 2010	Pre-applications due for development grants (the pre-application process does <i>not</i> apply to LCDA Pre-Development grants in 2010)
July 19, 2010	Applications due for development and Pre-Development grants
August 19, 2010	Last date local resolution can be submitted
August – September	Staff conducts technical review of proposals and Step 1 evaluation process
August - October	Livable Communities Advisory Committee conduct Step 2 evaluation and selection process; recommends funding awards for development and Pre-Development grants
November	Funding recommendations presented to Community Development Committee
November	Community Development Committee recommends grant awards
December / January 2011	Metropolitan Council awards grants

Livable Communities Demonstration Account

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.

The Demonstration Account will also provide funds in 2010 for Pre-Development grants to support activities that will lay the groundwork for successful development implementation. Applicants will choose the Development or Pre-Development grant category for each project submitted for funding, depending upon the stage of the project's development.

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. Development projects must include a development component or phase that will go forward to construction and be completed within the two-year grant term. Pre-Development grants will assist applicant cities with small grants to help them fund activities that will lead to projects that compete for dollars in the LCDA Development category.

Funding for LCDA Development grants and Pre-Development grants helps applicants implement their community development objectives and comprehensive plans. The legislative objectives are supported by the 2030 Regional Development Framework policies. LCDA funding will support Development projects that demonstrate innovative ways of meeting Framework goals and Pre-Development proposals that show potential for achieving the goals. Framework goals include:

- 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 making some trips possible by walking, biking or transit. These results are made possible by connecting land uses, improving access to transportation corridors, connecting modes of transportation and linking housing with destinations accessible to transportation corridors and a range of transportation modes. Over the long run, results are expected to reduce air pollution, mitigate congestion, and reduce infrastructure costs and greenhouse gas emissions.

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 2010

In 2010 the Livable Communities program re-establishes a separate LCDA grant category for Pre-Development grants focused on funding activities to lay the groundwork for successful development implementation.

Section 3: 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 (Minnesota Departments of Administration and Commerce);
- The land use goals of Project 2030, an initiative that identifies the impact of the aging of the baby boom generation and supports life-cycle housing (Minnesota 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 Minnesota Department of Natural Resources and the Metropolitan Council, is implemented locally and used to plan proposals; and

- Implementation of policies and requirements of the Minnesota Pollution Control Agency for surface water management.

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 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 local resolution in support of the application is required for both Development and Pre-Development grant applications. Details of items to be included in the resolution are found in the respective sections below.

Number of applications

No more than six total applications, for Development and Pre-Development grants combined, may be submitted for projects in a single city in any application cycle. The limit of six applications includes those submitted by all entities within the city (i.e., the city, economic development authority, port authority, or other) 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 outlines 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 at least 30 of 50 points in the Step Two LCAC evaluation process; and
 - b. for Development grants: have scored a minimum of 7 of the 10 readiness points, as determined in the LCAC evaluation.

Section 5: Competitive process, eligible and ineligible uses for Development grants

Local Resolution

The resolution accompanying Development grant applications must:

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

Eligible proposals

All of the following are required to comprise an eligible Development grant proposal:

- The proposals 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.
- 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.
- The proposed project must include one or more development components that are to be completed within the 24-month grant term.
- 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.
- 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.
- A resolution from the applicant city, county or development authority in support of the application(s) submitted must be submitted no later than 30 days after the application deadline.

Eligible uses of Development grants

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 (generally in the public right-of-way or clearly for public use) 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 Development grants

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 is available on the Council’s website.

Evaluation process for Development grants

Applications for Livable Communities Demonstration Account Development grants will be 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 member in private finance, one in public finance); development (one member in new development, one in redevelopment); transportation, environment; and site design. The LCAC chair, not representing a specific area of expertise, is the 13th member.

LCDA applications are evaluated in a two-step process. A staff evaluation team will review and score eligible Development grant proposals using the Step One evaluation criteria and guidelines. The LCAC will conduct Step Two of the evaluation process for Development grants.

Step One Evaluation Criteria for Development Grants – 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.

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.	0-8 points
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B. Develop land uses linked to the local and regional transportation systems (if the proposed Project does not have access to transit as identified in this section, the proposal will be held harmless by assigning the average score for this section)

Location within a *one-half mile* radius of the following:

An existing or identified station on the following transitways: Hiawatha LRT, Central Corridor LRT, Northstar Commuter Rail, or Southwest LRT; I-35W BRT, Cedar Avenue BRT, I-394 HOT/HOV Lane; or A park-and-ride facility on an express commuter bus or express bus route	3 points
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Locations where stations are under study along the Bottineau, Rush Line or Red Rock transitways	2 points
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Potential stations along these future transitways where no mode or stations have been identified: I-35 W North; I-94 East; Central Avenue; TH 36/NE	1 point
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Or locations within a *one-quarter mile* radius of:

A fixed stop on a high-frequency bus route; or A stop on future arterial BRT corridors: Snelling Avenue/Ford Parkway, West Broadway, Nicollet Avenue, Chicago Avenue, East 7 th Street, Robert Street, West 7 th Street, American Boulevard	3 points
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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.	0-7 points
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C. Connect housing and centers of employment, education, retail, and recreation uses.	
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.	0-8 points
D. Develop a range of housing densities, types and costs.	
How well the project will achieve development that: <ul style="list-style-type: none"> o 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; o uses Green Communities criteria, Minnesota GreenStar or other accepted green building system; and o addresses one or more of Minnesota Housing’s goals. 	0-8 points
E. Conserve, protect and enhance natural resources through development that is sensitive to the environment.	
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.	0-8 points

2. Tools and processes.	
<p>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.</p>	0-8 points

**Step Two Evaluation Criteria for Development Grants –
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	
	<p>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.</p> <p>Scoring is based on the extent to which the proposal:</p> <ul style="list-style-type: none"> o uses land efficiently to maximize the potential of the project location; o links land uses to transportation and transit where available; maximizes major state transportation investments; o connects housing and centers of employment, education, retail, civic uses and recreation; o provides a range of housing densities, types and costs; o conserves, protects and enhances natural resources through development that is sensitive to the environment and incorporates the Minnesota Sustainable Building Guidelines; o other innovation not covered in the above categories; o utilizes tools and processes to develop and implement the project, including consistency with area, neighborhood, corridor or other plans adopted by the municipality; o Represents a model, in whole or in part, for the community it is located in and for the region. 	0-30 points
2.	How LCDA funding is a catalyst	
	<p>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.</p>	0-10 points
3.	Readiness assessment	

<p>The extent to which the proposed project is ready and able to use an LCDA grant, if awarded, within the 24-month grant term.</p> <p>The readiness assessment includes:</p> <p>A. The status of implementation tools – e.g., zoning codes and other official controls, design standards, or development standards.</p> <p>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 2010, and other indicators of readiness.</p> <p>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.</p>	<p>0-10 points</p>
<p>Housing performance scoring</p>	
<p>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.</p> <p>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.</p>	<p>0-10 points</p>

Section 6: Competitive process, eligible and ineligible uses for Pre-Development grants

Local Resolution

The resolution accompanying Pre-Development grant applications must:

- Authorize the grant application(s);
- Identify the need for LCDA funding, such that the proposed activities could not occur in the foreseeable future without LCDA funds;
- Prioritize the applications according to the applicant's internal priorities, if an applicant is submitting more than one application; and
- 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.

Eligible proposals

All of the following are required to comprise an eligible Pre-Development grant proposal:

- The proposal must identify a specific geographic Project Area for which Pre-Development activities will be conducted.
- The Project Area must be located within the Council-identified developed area, developing area or a rural growth center (urbanized area). Regional park land is ineligible.
- The proposed activities must be completed within the 24-month grant term; no grant term extensions will be permitted.
- A resolution from the applicant city, county or development authority in support of the application(s) submitted must be submitted no later than 30 days after the application deadline.

Local funding match

A 25 percent documented local match in cash, in-kind staff services, or a combination, is required for Pre-Development grants. Information describing match requirements is included in the application materials.

Award limits

Pre-Development grant awards will not exceed \$100,000.

Eligible uses for Pre-Development grants

Professional services associated with the following activities for the Project Area identified in the application: conducting design workshops resulting in development alternatives; preparing detailed redevelopment plans, corridor or station area plans; developing zoning and land use implementation tools such as overlay zones or zoning districts; analysis of alternatives for market mix, land use mix, economic feasibility, air/water/energy issues; soil testing to determine land uses that are feasible on the site; site-specific surface water management; development staging plans; land banking and land acquisition strategies.

Ineligible uses for Pre-Development grants

All costs eligible for LCDA Development grants, including land acquisition, demolition, infrastructure, construction costs; applicant's administrative overhead; project coordination costs; costs for activities conducted prior to the date of the grant award; costs associated with preparing comprehensive plans; legal fees, local permits, licenses or authorization fees; travel expenses, food and beverages; costs associated with preparing other grant proposals; printing costs; salary costs; and/or marketing expenses.

Evaluation process for Pre-Development grants

Applications for Livable Communities Demonstration Account Pre-Development grants will be 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 member in private finance, one in public finance); development (one member in new development, one in redevelopment); transportation; environment; and site design. The LCAC chair, not representing a specific area of expertise, is the 13th member.

LCDA applications are evaluated in a two-step process. A staff evaluation team will review and score eligible Pre-Development grant proposals using the Step One evaluation criteria and guidelines. The LCAC will conduct Step Two of the evaluation process for Pre-Development grants.

Step One Evaluation Criteria for Pre-Development Grants - 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

Proposals will be evaluated on 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.

<p>A. Use land efficiently How well the proposal shows potential to result in development that intensifies land use (adding buildings or other uses) and increases density to a level that maximizes the potential of the location.</p>	<p>0 – 8 points</p>
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<p>B. Develop land uses linked to the local and regional transportation systems (if the proposed Project does not have access to transit as identified in this section, the proposal will be held harmless by assigning the average score for this section)</p>	
<p>Located within a <i>one-half mile</i> radius of the following:</p>	
<p>An existing or identified station on the following transitways: Hiawatha LRT, Central Corridor LRT, Northstar Commuter Rail, or Southwest LRT; I-35W BRT, Cedar Avenue Brt, I-394 HOT/HOV Lane; or</p> <p>a park-and-ride facility on an express commuter bus or express bus route.</p>	<p>3 points</p>
<p>Locations where stations are under study along the Bottineau, Rush Line or Red Rock transitways.</p>	<p>2 points</p>
<p>Potential stations along these future transitways where no mode or stations have been identified: I-35 W North; I-94 East; Central Avenue; TH 36/NE.</p>	<p>1 point</p>
<p>Or locations within a <i>one-quarter mile</i> radius of:</p>	
<p>A fixed stop on a high-frequency bus route; or</p> <p>A stop on future arterial BRT corridors: Snelling Avenue/Ford Parkway, West Broadway, Nicollet Avenue, Chicago Avenue, East 7th Street, Robert Street, West 7th Street, American Boulevard.</p>	<p>3 points</p>
<p>The extent or degree to which the proposal shows potential to result in development that is designed in relationship to transit and transportation; and the extent to which the proposal and site offers opportunities for pedestrian access to transit</p>	<p>0 – 7 points</p>
<p>C. Connect housing and centers of employment, education, retail, and recreation uses</p> <p>The extent or degree to which the project shows potential to result in development that will provide 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</p>	<p>0 – 8 points</p>

<p>D. Develop a range of housing densities, types and costs The extent or degree to which the proposal shows potential to result in development 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 Area or when added to the housing in adjacent neighborhoods; will diversify housing in the community; will help achieve the city’s negotiated affordable and lifecycle housing goals.</p>	0 – 8 points
<p>E. Conserve, protect and enhance natural resources through development that is sensitive to the environment The extent or degree to which the proposal shows potential and provides opportunities to achieve development that optimally integrates natural resources, including best management practices that incorporate water resource management into project design to maximize development potential; will implement and use a local Natural Resources Inventory and Assessment (NRI/A) to plan the project; and shows potential and provides opportunities to employ natural resources, where feasible and appropriate, as community connections, assets and amenities.</p>	0 – 8 points
2. Local planning and implementation processes	
<p>The extent to which the proposal:</p> <ul style="list-style-type: none"> • shows potential to implement the applicant city’s local comprehensive plan; • shows potential to help achieve the city’s negotiated affordable and lifecycle housing goals; • will implement any redevelopment plans, corridor or other local plans applicable to the identified Project Area; and • the extent to which the proposed grant activities appropriately support the intent of the proposal 	0 – 8 points

Step Two Evaluation Criteria for Pre-Development Grants - 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.

1. Innovation and demonstration

<p>The extent to which the project 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 shows potential to:</p> <ul style="list-style-type: none"> • use land efficiently to maximize the potential of the project location; • link land uses to transportation and transit where available; maximizes major state transportation investments; • connect housing and centers of employment, education, retail, civic uses and recreation; • provide a range of housing densities, types and costs; • conserve, protect and enhance natural resources through development that is sensitive to the environment; • utilize tools and processes to develop and implement the project, including consistency with area, neighborhood, corridor or other plans adopted by the municipality; • represent a model, in whole or in part, for the community it is located in and for the region; or • represent other innovation not covered in the above categories. 	<p>0 – 20 points</p>
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2. How LCDA funding is a catalyst

<p>The extent to which the element for which funding is requested will be a catalyst to implement development in the Project Area. Proposals will be evaluated in the context of the site, geographic area and community to recognize the unique and diverse characteristics of projects' location.</p>	<p>0 -10 points</p>
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<p>3. Other criteria</p> <ul style="list-style-type: none"> • Local leadership, political commitment and community involvement to date. • The potential for meaningful and appropriate public involvement in carrying out the activities funded by an LCDA Pre-Development grant. • The potential for a project implementation process that includes appropriate partners and coordination to ensure successful project implementation. • The degree to which the proposal presents an opportunity to capitalize on unique opportunities offered by the Project Area. Additionally, would opportunities presented by the Project Area be jeopardized if the applicant does not act in a timely way to direct the development process? • The potential to enhance major regional investments. • The potential for replication of the project, key elements of the project, or the project type. 	<p>0 – 20 points</p>
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Section 7: 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

2010 Funding Schedule, Funding Criteria and Selection Process

Local Housing Incentives Account 2010 Funding Schedule

2010 available funding: \$1.5 million

Ownership programs - tentative schedule

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

Rental Programs – Tentative Schedule

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

Local Housing Incentives Account

Section 1: Background and purpose

The Metropolitan Livable Communities Act (Minnesota Statutes §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 2010

There are no new LHIA elements for 2010.

Section 3: Partnerships and coordination

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 and for the Land Acquisition for Affordable New Development (LAAND) program. 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.

Section 4: Application process

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, eligible and ineligible uses of 2010 funding

Eligible uses for LHIA grants

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 for LHIA grants

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, or interest) and architects' fees.

Competitive process for LHIA grants

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;
- 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; and
- Locating developments within walking distances of public transit stations and stops.

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 3) 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 and competitive 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, 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. For 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.

Other considerations

- 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 an amount equal to the community's LCDA levy. 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, with proposals in lower-scoring communities being given priority.

Evaluation process

All proposals received through the RFP process are reviewed by Minnesota Housing staff for completeness and evaluated pursuant to the MHIG criteria 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

2010 Funding Schedule, Funding Criteria and Selection Process

Land Acquisition for Affordable New Development Funding Schedule

2010 available funding: \$1,000,000

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

Land Acquisition for Affordable New Development

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 programs 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. In 2010, up to \$1,000,000 is available for land acquisition activities in the Metropolitan area through the Livable Communities Act Demonstration Account, which may only go to communities participating in the LCA program.

Section 2: New LAAND elements for 2010

No program changes have been made to the LAAND program for 2010.

Section 3: Partnerships and coordination

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 and for the LAAND program. 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.

Section 4: Application process

Applications are submitted to Minnesota Housing for consideration for LAAND funding and all other funding through the Minnesota Housing Request for Proposal process.

Eligible applicants

Eligible applicants are defined on page 3 of this Fund Distribution Plan.

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 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.

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, eligible and ineligible uses of 2010 funding

Eligible uses

Land acquisition. 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.

The Awardee must complete its purchase of the property no later than one 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 plans, 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.

Costs related to acquisition. Costs of appraisals and environmental assessment of the site can be included in the loan amount.

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.

Ineligible uses

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 nor any potential developers:

- may own (or have a purchase agreement for) the property for which LAAND loan funds will be used; and
- may have taken formal steps, other than an option, to acquire the property.
- LAAND awards may not be used to re-finance properties.
- 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.

Other considerations

- 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.
- LAAND loan funds cannot be used to supplant other funding already available for the property purchase.

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:

- The principal amount of the loan shall be repaid to the funders.
- 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.
- If available, ten percent (10%) of the appreciation shall be repaid to the funders for additional land acquisition loans.
- If available, the balance of the appreciation shall be used to:
 - provide funds for additional land acquisition loans,
 - provide gap financing for the affordable units, if needed, and/or
 - 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 is 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 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.

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.

Evaluation process

All proposals received through the RFP process are reviewed by Minnesota Housing staff for completeness and evaluated pursuant to the MHIG criteria 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

LAAND awardees will be required to submit a status report at least annually on the status of their loan-funded activities.