

Community Development Committee

Meeting date: October 4, 2021

Subject: Evaluation of the Livable Communities Tax Base Revitalization Account Seeding Equitable Environmental Development (TBRA SEED) Grant Category

District(s), Member(s): All

Policy/Legal Reference: Minn. Stat. § 473.25

Staff Prepared/Presented: Marcus Martin, Senior Planner

Division/Department: Community Development/ Regional Planning

Proposed Action

Information item only. Council staff seek feedback and direction on next year's program design.

Background

The Livable Communities Act (LCA) includes the Tax Base Revitalization Account (TBRA), which provides funds to help participating communities pay for the costs of remediating contamination that are obstacles to redevelopment. Currently, there are three TBRA grant categories: Investigation, Cleanup and SEED.

At the regularly scheduled Community Development Committee meeting on October 4, 2021, Council staff will present an evaluation of one of three grant categories offered annually – the SEED grant category -- and seek feedback on the following:

- What is the primary purpose of the SEED grant program?
- What is the best way to achieve the intended purpose?

Grant Program Overview

Initial Program Guidelines and Changes

A pilot program was started in 2015 with the original purpose to create new jobs by catalyzing redevelopment within census tracts identified as areas of concentrated poverty. A key program element included allowing grant funds to be awarded on sites with potential for redevelopment rather than an identified redevelopment project. Sites with a redevelopment project were encouraged to apply to one of the other existing TBRA grant categories.

The uses of funds were (and continue) to be limited to activities related to brownfield redevelopment in accordance with the enabling legislation. Grant activities initially focused on environmental site investigation (including asbestos and hazardous building materials surveys that may be used within existing buildings), and later added partial contamination cleanup. Brownfield redevelopment focuses on making sure new construction and renovation in areas with legacy contamination are safe and improve health by removing risks to chronic health issues.

The pilot was re-evaluated by the Community Development committee in 2017. Program changes included expanding the eligible target area slightly to properties located across the street from existing areas of concentrated poverty. The pilot was renamed Seeding Equitable Economic Development (SEED) to reflect the more permanent grant category status.

Grant Awards

Since 2015, the Council has awarded 24 grants totaling \$1.6M. The funding has been spent on environmental site investigations and occasionally asbestos abatement. Requests and grants have been awarded primarily to sites in Minneapolis and Saint Paul. One grant was awarded to Hopkins. No other eligible city has requested a grant. The highest number of SEED grants awarded (7) was in the first year (2015). The highest amount awarded was the year (2018) we funded a high-cost abatement in Hopkins. Nearly 70% of the funding awarded has been spent to date.

Community Comments

Council staff asked counties, cities, and community development partners for their feedback on ways to improve the program. Their comments focused on local development needs and suggestions for modest administrative changes. Comments related to local development needs included:

- Challenges of getting developer's attention at the right time
- Little or no redevelopment in target areas
- Limited or no need to deal with contaminants during redevelopment
- Interest in other redevelopment needs not directly related to contamination such as help with predevelopment planning, building condition surveys, technical support for relatively inexperienced developers, addressing demolition, poor structural soils, rebuilding after damage incurred this summer, revitalizing single-family housing stock, public infrastructure improvements, or urban agriculture
- Staff prioritization of publicly-owned sites or sites only after a redevelopment was proposed

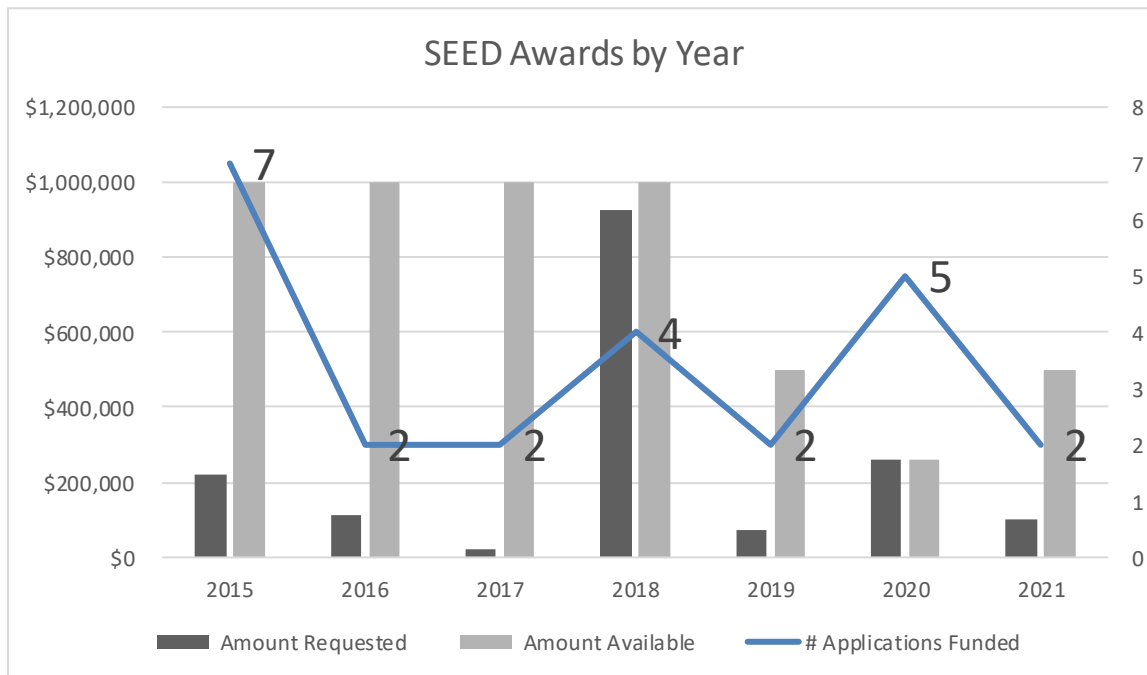
Comments related to possible program administrative changes suggested:

- Clarifying whether sites with development interest met the "no project" eligibility condition
- Eliminating the need to choose among grant categories
- Eliminating the 25% matching costs (matching costs can be public or private sources)

Staff Assessment

The grant category is accessible and focused on submarkets of need that have experienced under-investment. Not requiring a development has allowed cities to make strategic investments, primarily on publicly-owned sites.

Demand for the grant category has been modest and has generally declined. The highest number of grants received (7) occurred in the first year the category was offered. The highest amount of funding awarded was primarily for one high-cost abatement in 2018.



This modest interest in the program may be due to the fact that significant portions of the eligible target areas are primarily residential with little history of past contamination. Because of the existing development patterns in these areas, there is low-demand for redevelopment, and in particular single-family lots do not have a need for SEED grants. Often not all of the grant funding available in the SEED category has been requested or spent while the regular TBRA Cleanup category is oversubscribed.

Over the past two years, staff has increased its outreach to non-profits, cooperatives, and public staff, but this has not significantly changed interest in the grant offering. To date, no sites without a developer have attracted additional investment after receiving a SEED grant.

Remediation without a redevelopment project has not been a high priority or frequent need for most of the cities with eligible target areas. Grants have been primarily used for environmental assessment, however there are other local sources for environmental investigation funding available on a rolling-basis (e.g., Hennepin County Environmental Response Fund assessments).

The grant category has not catalyzed additional redevelopment in the six years it has been available. Staff does anticipate a few sites may begin redevelopment within the next 6 to 12 months; however, there is no evidence with those projects that the SEED funding played a role in incentivizing those developments. Despite the slow pace of redevelopment, one community remarked that the program allows them to be more strategic. Redevelopment sites with significant contamination have met their needs by applying in another grant category: TBRA cleanup.

Suggested Committee Discussion

Staff is seeking your reaction to the grant category prior to developing a recommendation for distribution of LCA funding in 2022.

What is the primary purpose of the SEED grant program?

As previously stated, the initial intent of the SEED program was to incentivize development in submarkets with less investment and significant poverty. Staff evaluation shows that incentivizing development has not yet proven to be an outcome of the program.

Nevertheless, a modest amount of funding has consistently been requested and appears to offer a few engaged cities a unique opportunity to address contamination before future development outcomes are known. To that end, staff offers the following options to consider for the SEED program's purpose moving forward:

1. Contamination investigation and cleanup in underinvested communities, *regardless of the potential to catalyze development*
2. To fund contamination investigation and cleanup for redevelopment projects that are *located in areas that have been disproportionately impacted by environmental contamination*

What is the best way to achieve the intended purpose?

Both options focus on equitable outcomes by targeting high-poverty areas and areas with significant populations of color. The key difference between the two options provided above is the focus on *incentivizing* development versus *supporting* development. Staff has concluded that funding contamination investigation and cleanup is not sufficient to incentivize development in submarkets that have experienced disinvestment – remediation is one of multiple factors that must come together for development to move forward. However, if the focus of the program is to address contamination in underserved parts of the region regardless of the development potential, staff recommends continuing the program as is, with a modified purpose that better reflects the outcomes.

If the priority is to address inequities in environmental outcomes, staff proposes streamlining the programs such that development projects in underinvested areas are more heavily prioritized. Rather than a separate SEED program, scoring criteria in the regular TBRA Investigation and Cleanup programs can reflect this priority. This would allow the funding to support development that will directly improve outcomes in underserved areas.