

## Community Development Committee

Meeting date: January 18, 2022

**Subject:** 2022 Livable Communities Act Funding Availability Discussion

**District(s), Member(s):** All

**Policy/Legal Reference:** Minn. Stat. § 473.25

**Staff Prepared/Presented:** Tara Beard, Livable Communities Manager, (651) 602-1051

**Division/Department:** Community Development / Regional Planning

### Proposed Action

Information item only. Feedback from the Committee will be incorporated into the upcoming action on the annual fund distribution plan.

### Background

The Livable Communities Act (LCA) requires that the Council prepare an annual plan for distribution of the Livable Communities funds that includes program criteria developed by the Council. Previous conversations with Community Development Committee (see the [November 15, 2021](#), [December 6, 2021 \(LHIA\)](#), [December 6, 2021 \(Pre-Development policy expansion\)](#), [January 3, 2022 \(SEED\)](#), and [January 3, 2022 \(LHIA\)](#) information items) for the 2022 cycle of LCA programs have focused on program design and scoring criteria. This information item will review funding availability recommendations for discussion with the Community Development Committee before recommending approval of the comprehensive 2022 LCA Fund Distribution Plan tentatively scheduled for the February 7, 2022, regularly scheduled committee meeting.

Staff have reviewed 2021 program demand and consulted with Community Development Finance and Administration staff to consider any recommendations for funding availability beyond the statutorily determined base amounts. Recommendations for each LCA program are presented below.

### 2022 Funding Availability

The base amounts available for each program in 2022 are shown in Table 1 below.

Table 1. 2022 LCA Base Revenues

| Program  | 2022 Base Revenues |
|--|--------------------|
| Tax Base Revitalization Account (TBRA)           | \$5M               |
| Livable Communities Demonstration Account (LCDA) | \$13M              |
| Local Housing Incentives Account (LHIA)          | \$1.5M             |

As in past years, there are reserves available to program to supplement available funding in each program. Some reserves are restricted to a specific program; others are unrestricted and may be allocated to any program. Programmable reserves available for consideration in 2022 are shown in Table 2.

Table 2. Programmable reserves for 2022

| Programmable Reserves | TBRA | LCDA | LHIA |
|-----------------------|------|------|------|
| Restricted Reserves   | \$1M | \$6M | \$0M |
| Unrestricted Reserves | \$5M |      |      |

Staff is recommending allocation of these reserves by program as described in the remainder of this report.

**Tax Base Revitalization Account (TBRA)**

The Tax Base Revitalization Account (TBRA) program supports brownfield redevelopment and has a base funding allocation of \$5M. Staff’s funding recommendations are shown in Table 3.

Table 3. 2022 TBRA funding recommendation

|  | TBRA   | Seeding Equitable Environmental Development (SEED) |
|--|--|--|
| Base Funding Allocation (\$5M)                         | \$5M   | \$0M   |
| Restricted Reserves Allocation (of \$1M available)     | \$0  | \$500,000  |
| Unrestricted Reserves Allocation (of \$5.5M available) | \$0  | \$0  |
| <b>Total funding availability recommended for 2022</b> | <b>\$5M</b><br>(two cycles of \$2.5M; up to \$125,000 available for site investigation each cycle) | <b>\$500,000</b><br>(two cycles of \$250,000)      |

Recommendations or requirements for other funding considerations are as follows:

Site Investigation:

- Local Match: 25%
- Grant Terms: 1 year from date of award
- Term extensions: None
- Award Limits: \$50,000 per project
- Application Limit: None

Contamination Cleanup:

- Local Match: None
- Grant Terms: 3 years from date of award
- Term extensions: up to 2 years
- Award Limits: 50% of total available funding per city and no more than 75% of total available funding within Minneapolis and St. Paul (this is inclusive of all TBRA programs)
- Application Limit: None

- Excess available funding: If funding applied for or awarded through TBRA is less than the funding available, the remaining funds may be made available for award through the TBRA SEED category

Seeding Equitable Environmental Development (SEED)

- Local Match: None
- Grant Terms: 2 years from date of award
- Term extensions: None
- Award Limits: \$50,000 for investigation
- Application Limit: None
- Geographic restriction: Site within areas of concentrated poverty (ACPs) and in areas previously defined as ACPs, and parcels within 150 feet of a current or former ACP
- Excess available funding: If funding applied for or awarded through TBRA SEED is less than the funding available, the remaining funds may be made available for award through the regular TBRA categories

**Local Housing Incentives Account (LHIA)**

The LHIA annual funding base is \$1.5M and the Council has consistently supplemented this base using interest earnings, from LCA program accounts, or General Purposes Levy revenues through the Council’s special initiative funding process. Between 2015 and 2019, the average investment over base was just under \$1M. In 2020 and 2021 the Council made historic LHIA amounts available above the base in the amounts of \$4M and \$6.5M, respectively.

LHIA funding is pooled with Minnesota Housing’s Consolidated Request for Proposals (RFP) each year with some portion awarded to multi-family rental projects and some portion awarded to single-family homeownership projects. While the exact split of the total LHIA funding across the two housing types is not set in the Fund Distribution Plan, multi-family rental projects consistently receive the majority share of the total funding. Since 2015, the share of LHIA funding going to single-family homeownership projects, through the Consolidated RFP, has been as low as 6% of the total LHIA funding available and as high as 32% of the total.

Staff is proposing an Affordable Homeownership Pilot in 2022 to determine if Council homeownership priorities can more successfully be met by making LHIA single-family homeownership awards through a Council-run process outside the consolidated RFP. While this does not preclude making single-family homeownership awards through the Consolidated RFP in 2022, the intent is to prioritize multi-family rental awards in 2022 while we launch the Affordable Homeownership Pilot.

Because it is a pilot, staff recommends the Council use strategic initiative funding to try the pilot in 2022. This minimizes disruption to base LHIA funding availability while we test the pilot. If successful, the pilot could be funded long-term out of the base LHIA amount and any programmable reserves. Long term investment in the program will be dependent upon pilot outcomes. Staff recommend an initial pilot investment of \$1-2M to sufficiently gauge pilot interest and ensure there are enough projects to evaluate pilot outcomes (Table 4). Staff anticipate the Council will allocate strategic initiatives later in the first quarter of 2022.

Table 4. 2022 LHIA funding recommendation with special initiative funding

|   | LHIA          | LHIA Affordable Homeownership Pilot |
|---|---------------|-------------------------------------|
| <b>Base Funding Allocation (\$1.5M)</b>                     | \$1.5M        | \$0                                 |
| <b>Unrestricted Reserves Allocation (of \$5M available)</b> | \$2M          | \$0                                 |
| <b>Special Initiatives Funding (unknown amount)</b>         | \$0           | \$2M                                |
| <b>Total funding availability recommended for 2022</b>      | <b>\$3.5M</b> | <b>\$2M</b>                         |

If special initiative funding is not used to fund the pilot, staff recommend funding as shown in Table 5.

Table 5. 2022 LHIA funding recommendation without special initiative funding

|   | LHIA          | LHIA Affordable Homeownership Pilot |
|---|---------------|-------------------------------------|
| <b>Base Funding Allocation (\$1.5M)</b>                     | \$1.5M        | \$0                                 |
| <b>Unrestricted Reserves Allocation (of \$5M available)</b> | \$1M          | \$1M                                |
| <b>Total funding availability recommended for 2022</b>      | <b>\$2.5M</b> | <b>\$1M</b>                         |

Recommendations or requirements for other funding considerations are as follows.

- Local Match: 100% dollar for dollar match from grantee
- Grant Terms: 3 years from date of award
- Term extensions: None
- Award Limits: None
- Application Limit: None

Staff is aware that there is some interest in award limits for the Affordable Homeownership Pilot. Staff recommend not setting an award limit to provide maximum flexibility in considering awards given the program is a pilot and we do not know what award requests will look like or to what degree proposals will achieve pilot priorities. However, staff will carefully consider award recommendations for the pilot knowing that there is a keen balance between achieving pilot priorities and funding the most affordable homeownership opportunities as is possible.

**Livable Communities Demonstration Account (LCDA) and LCDA – Transit Oriented Development (LCDA-TOD)**

LCDA and LCDA-TOD funding recommendations reflect that they will combine their Pre-Development programs into a single process, in two cycles. Staff’s funding recommendations are show in Table 6.

Table 6. 2022 LCDA and LCDA-TOD funding recommendations

|   | LCDA Development | LCDA-TOD Development | LCDA and LCDA-TOD Pre-Development |
|---|------------------|----------------------|-----------------------------------|
| <b>Base Funding Allocation (\$13M)</b>                      | \$7M             | \$4M                 | \$2M                              |
| <b>Restricted Reserves Allocation (\$6M available)</b>      | \$2M             | \$1M                 | \$0                               |
| <b>Unrestricted Reserves Allocation (of \$5M available)</b> | \$0              | \$0                  | \$0                               |
| <b>Total funding availability recommended for 2022</b>      | <b>\$9M</b>      | <b>\$5M</b>          | <b>\$2M</b>                       |

Recommendations or requirements for other funding considerations are as follows:

Pre-development (includes policy expansion):

- Local Match: None
- Grant Terms: 2 years from date of award
- Term extensions: Up to 1 year
- Award Limits: \$150,000 per city, per round for regular Pre-Development; \$50,000 per city, per round for Pre-Development policy expansion
- Application Limit: No more than three per city or county applicant
- Excess available funding: If funding applied for or awarded through Pre-development is less than the funding available, the remaining funds may be made available for award through the regular LCDA or LCDA – TOD Development categories

Development:

- Local Match: None
- Grant Terms: 3 years from date of award
- Term extensions: Up to 2 years
- Award Limits:
  - LCDA: If eligible applications from suburban communities exceed 60% of available funds no more than 40% of the funds may be granted to projects in Minneapolis and St. Paul.
  - LCDA-TOD: \$2 million per city
- Application Limit: No more than three per city or county applicant
- Excess available funding: If funding applied for or awarded through LCDA or LCDA-TOD is less than the funding available, the remaining funds may be made available for award through whichever program has requests for more funding than is available.

**Summary of All Programs**

The culmination of funding recommendations for all programs, assuming special initiative funds support the Affordable Homeownership Pilot, is shown in Table 7.

Table 7. 2022 LCA Funding Availability Recommendations

|   | TBRA                        |                               | LCDA                        |                            |                              | LHIA                           |
|---|-----------------------------|-------------------------------|-----------------------------|----------------------------|------------------------------|--------------------------------|
| <b>Base Funding</b>                                     | \$5M                        |                               | \$13M                       |                            |                              | \$1.5M                         |
| <b>Restricted Reserves Programming Recommended</b>      | \$0.5M                      |                               | \$3M                        |                            |                              | \$0                            |
| <b>Unrestricted Reserves Programming Recommendation</b> | \$0                         |                               | \$0                         |                            |                              | \$2M                           |
| <b>Recommended Total</b>                                | <b>\$5.5M</b>               |                               | <b>\$16M</b>                |                            |                              | <b>\$3.5M</b>                  |
| <b>Recommended Program Distributions</b>                | <b>TBRA:</b><br><b>\$5M</b> | <b>SEED:</b><br><b>\$0.5M</b> | <b>LCDA:</b><br><b>\$9M</b> | <b>TOD:</b><br><b>\$5M</b> | <b>Pre-D:</b><br><b>\$2M</b> | <b>LHIA:</b><br><b>\$3.5M*</b> |

*\*This assumes the LHIA pilot is funded with special initiatives.*

Finally, for all programs, the following limit applies:

- The Metropolitan Council reserves the right to award less than the amount requested and to award less than the available funding in a funding cycle.