

Information Item

Community Development Committee



Meeting Date: December 16, 2024

Topic

Livable Communities Act 2025 Fund Distribution Plan: Highlights of Proposed Program Changes

District(s), Member(s):	All
Policy/Legal Reference:	Minn. Stat. § 473.25
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Division/Department:	Community Development/Regional Planning

Background

The Livable Communities Act (LCA) requires that the Council prepare an annual plan, the Fund Distribution Plan (FDP), for distribution of the Livable Communities funds that includes funding availability, program guidelines, and scoring criteria. By statute, funding criteria must be consistent with the policies of the Metropolitan Development Guide adopted by the council (currently, Thrive MSP 2040) as well as the purposes of the LCA, which include incentivizing the creation and preservation of living-wage jobs, affordable housing, and compact and efficient development.

This report highlights proposed program changes that staff will include in the 2025 FDP draft. Similar to past years, this draft of the full proposed scoring criteria for all LCA programs will be presented to the Committee for discussion at the regularly scheduled meeting on January 21, 2025, and for final committee recommendations on February 6, with proposed final Council action February 12.

As an outcome of last year's 2024 FDP adoption discussion, staff have worked with consultants Mary Kay Bailey and Ellen Watters to consider LCA program change recommendations. The LCA program was discussed with the Community Development Committee on [March 18](#), [July 15](#), [September 3](#), [October 7](#), and a final report from the consultants was presented on [November 18](#).

As previewed earlier and as recommended by the consultant team, staff are not proposing significant program changes for the 2025 grant cycle. This is because significant changes will take time to analyze and will be done through a community-engaged process. Staff plan to spend 2025 vetting potential further program changes, including recommendations from the consultants and policy direction from the forthcoming Imagine 2050 plan. The minor changes proposed for 2025 are designed to make LCA grants more broadly accessible to all communities within the region.

Proposed Program Changes for 2025

Proposed program changes are organized by program area below; all are intended to increase accessibility of LCA grants to communities throughout the entire region.

LCDA Pre-Development Program

- Lowering Minimum Score: Program minimum scores are intended to ensure all funded projects meet a high standard set by the Metropolitan Council. In recent review of Pre-Development applications, staff have recognized that the current minimum score could

be lowered, within the existing scoring rubric, to include more projects for consideration. Staff are recommending lowering the minimum score to be eligible for funding from 20 to 15, out of 30 available points.

Policy Development Program

- The Policy Development program was developed with the intention of supporting smaller cities with less staff capacity to update existing policies or to develop new policies. To maintain consistency with this goal, staff are proposing an additional scoring priority focused on city size/capacity, in cases where eligible requests exceed available funding.

Affordable Homeownership – LCDA Program

- While no major changes are planned, staff propose recommending continuing the Affordable Homeownership program within the LCDA funding pool, as was done in 2024, which reduces administrative requirements for applicants.

LCDA and LCDA-TOD Programs

- No scoring criteria changes proposed. As noted in the consultants' recommendations, and in response to stakeholder feedback, the application portal for both programs will be streamlined to reduce complexity for applicants.

Toward 2026: Outreach, Imagine 2050 Coordination, & Program Design

Responding to the insights from our [consultants' report](#), staff propose to focus on three areas throughout calendar year 2025, while also continuing to offer the funding programs that will be described in the FY 2025 FDP:

Outreach. The consultants' report noted expressed concerns about the imbalance of geographic distribution of LCA grants, but also noted that there is only limited statutory and policy guidance in place about geographic distribution for the program. Their analysis showed that **the best way to ensure more grant awards go to a broader set of communities is for those communities to take on projects that advance regional goals and to submit more applications:**

- 71% of applicants overall are successful in being approved for funding (with the exception of Minneapolis and Saint Paul applications, which are subject to a pre-screening process in each city in response to geographic distribution guidelines, which makes the program more competitive for developments in those communities).
- The two most populous counties apply more frequently than the other five counties. For example, Hennepin County submitted 58% of all applications (455 of 787) and received 59% of all awarded grants in the 2014-2023 period. Anoka County submitted 2% of all applications (just 17 of 787) and received 2% of grants in that period.
- Development patterns impact the geographic distribution of applications and subsequent awards. LCA, per statutory and policy direction, prioritizes development projects that maximize density and create or preserve deeply affordable housing. Projects that are most closely aligned with policy goals have the highest rates of success across all LCA programs.
- LCA will focus on outreach to cities in the region to understand barriers that exist to meeting regional policy goals and what support LCA can provide to help cities meet those goals. Staff will use this information to inform both program changes for 2026 and communications strategies to better communicate with less frequent applicants.

Imagine 2050 Coordination. In February 2025, the Council is expected to finalize the Imagine 2050 regional development guide which, by statute, should influence LCA funding criteria. The

guide includes a number of relevant policy statements and some specific opportunities to connect LCA program priorities to the updated regional development goals and policies. Staff will work to identify an implementation plan for each of these policies and recommendations, integrating them into updated guidelines for LCA where needed.

Program Design/Evaluation for 2026. Because any major changes could create unintended consequences, staff intends to fully vet potential changes in the first half of 2025 through an iterative process that includes potential applicants and other stakeholders in addition to using historical data to understand impacts of scoring and other program changes. Staff are not proposing any of these changes at this time for the 2025 FDP. As noted by the consultants' report, the categories of changes to be considered, in addition to those that further policy objectives in Imagine 2050, include:

- Opportunities to better align LCA programs with Imagine 2050 goals
- Consider allocating LCDA development funding by community designation or other geographic criteria
- Assess need for an affordable housing preservation pilot
- Consider a two-year Fund Distribution Plan
- Explore offering bonus points for projects that address Council-defined goals
- Consider whether offering two development funding rounds each year would better serve the region
- Study increasing funds for Pre-Development program
- Study increasing funds for Affordable Homeownership program
- Explore greater alignment with consolidated RFP and funding partners

Staff are committed to an engaged process, including potential applicants and other stakeholders through all stages of exploration and program design.

Next steps and discussion questions

Staff typically present a funding availability analysis, recommendations for fund distribution among LCA programs, and an updated scoring guide for each LCA program for the Community Development Committee's consideration and action in late January, to meet the statutory requirement to approve an annual Fund Distribution Plan.

Following the approval of the FDP, the 2025 work plan for LCA staff will include both expanded outreach and consideration of program changes as outlined above. Staff will present an update on progress in the second quarter of 2025.

Discussion

- Do committee members need additional information ahead of the planned 2025 FDP presentation in January?
- What is the right pace of engagement for committee members in this work in 2025?

