

Information Item

Community Development Committee



Meeting Date: January 21, 2025

Topic

2025 Livable Communities Act Funding Availability and Scoring Criteria Discussion

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 for distribution of Livable Communities funds based on program criteria established by the Council. Criteria must be consistent with and promote the purposes of the statute and the Metropolitan Development Guide.

At the January 21, 2025, Committee meeting, Council staff will review funding availability and draft scoring criteria before recommending approval of the comprehensive 2025 LCA Fund Distribution Plan (FDP), scheduled for the February 3, 2025, Community Development Committee meeting. Staff reviewed 2024 program demand and consulted with Community Development Finance and Administration staff to recommend additional funding beyond the statutorily determined base amounts.

At the request of the Committee during the 2024 FDP discussion, staff worked with consultants Mary Kay Bailey and Ellen Watters to evaluate and plan for program updates that encourage broad participation from communities in the region and reduce barriers to entry to the grant programs. 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](#). The final report noted that there was not enough time to make meaningful changes to the program in 2025, and suggested that staff use the year to assess recommendations and alignment with Imagine 2050.

As previewed at the [December 16](#) Committee meeting, staff are following the consultants' recommendation and not proposing significant program changes for the 2025 grant program. Staff plan to analyze and pursue program changes aligned with the consultants' recommendations and Imagine 2050 goals through a community-engaged process in 2025.

Funding Availability & Recommended Allocation

2025 Funding Availability

The base amounts available for each program in 2025 are shown in Table 1, below, and are derived from statutory requirements.

Table 1. 2025 LCA Base Revenues

Program	2025 Base Amount
Tax Base Revitalization Account (TBRA)	\$5.0 M
Livable Communities Demonstration Account (LCDA)	\$14.6 M
Local Housing Incentives Account (LHIA)	\$1.5 M

As in past years, there are reserves available to supplement 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 2025 are shown in Table 2. Typically, some of these reserves are allocated to programs, while a portion of reserves is held back to support cash flow.

Table 2. 2025 LCA Programmable Reserves

Program	TBRA	LCDA	LHIA
Restricted Reserves	\$5.0 M	\$0	\$0
Unrestricted Reserves	\$13.0 M		

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

Tax Base Revitalization Account (TBRA)

The TBRA helps clean up contaminated land and buildings for subsequent development. These grants are intended to provide the greatest public benefit for the money spent, strengthen the local tax base, and create and preserve jobs and/or affordable housing. The TBRA is funded through the Fiscal Disparities program, with funding from this source not to exceed \$5,000,000 annually ([Minn. Stat.473F.08, subd. 3b](#)). There are three application paths for TBRA: Contamination Cleanup, Site Investigation, and Seeding Equitable Environmental Development (SEED).

Demand: Demand for TBRA programs in 2024 was lower than it was in 2023, with just \$4.2 million in funding requests received compared to \$9.5 million the previous year. Based on this variable demand, and availability of reserve funds, staff is recommending steady funding allocation to TBRA in 2025.

Staff funding recommendations are summarized in Table 3.



Table 3. 2025 TBRA Funding Recommendation

Program	TBRA <i>Contamination Cleanup & Site Investigation</i>	TBRA – SEED <i>Seeding Equitable Environmental Development</i>
Base Funding Allocation (\$5M)	\$5.0 M	\$0
Restricted Reserves Allocation (of \$5.0M available)	\$0.5 M	\$0.5 M
Unrestricted Reserves Allocation (of \$13M available across programs)	\$0	\$0
Total Funding Availability Recommended for 2025	\$5.5 M <i>Two cycles</i> <i>\$2.75M per cycle</i> <i>Up to \$500K for Site Investigation per year</i>	\$0.5 M <i>Two cycles</i> <i>\$250K per cycle</i>

Local Housing Incentives Account (LHIA)

The LHIA helps expand and preserve lifecycle and affordable housing. LHIA annual base funding includes \$500,000 transferred from the LCDA tax levy plus \$1 million from the Council’s general fund ([Minn. Stat. § 473.254, subd. 5](#)). Grantees, by statute, must match LHIA funding awards on a 1:1 basis. The Council has often supplemented this base using interest earnings from LCA program accounts or General Purposes Levy revenues above the target reserve balance through the Council’s internal special initiative funding process. The \$1.5 million specified in the LCA statute for LHIA has never been increased since its inception in 1996.

Demand – LHIA/Consolidated RFP: LHIA funding is pooled with Minnesota Housing’s Consolidated Request for Proposals (RFP) each year. Historically, some portion of the Council’s LHIA funding was awarded to multi-family rental projects and some to single-family homeownership projects. Since 2023, the LHIA program has supported only multi-family rental projects, while homeownership development proposals are directed to the Affordable Homeownership program.

Funds distributed through the RFP continue to be in high demand. In 2024, more than 33 applications were submitted to Minnesota Housing for metro-area projects, with additional requests submitted to sub-allocator agencies; only 8 of these projects were funded by Minnesota Housing.

However, without additional dedicated funding or reserves for this program available, staff recommends steady funding for LHIA, as shown in the recommendations summarized in Table 4.



Table 4. 2025 LHIA Funding Recommendation, with Strategic Initiatives Funding Placeholder

Program	LHIA (Consolidated RFP - Multifamily)
Base Funding Allocation (\$1.5M)	\$1.5 M
Unrestricted Reserves Allocation (of \$13M available across programs)	\$1.0 M
Total Funding Availability Recommended for 2025	\$2.5 M

Livable Communities Demonstration Account (LCDA)

LCDA funds are distributed through several different funding opportunities throughout the program year. Based on a formula in statute ([Minn. Stat. § 473.253, subd. 1](#)), base funding for LCDA programs is \$14.6 M for 2025.

The LCDA supports five grant programs, described in more detail below: LCDA Development, Transit Oriented Development, Pre-Development, Policy, and Affordable Homeownership.

LCDA Development and Transit Oriented Development (LCDA-TOD)

LCDA Development and LCDA-TOD grants support development and redevelopment projects that provide affordable housing, living wage jobs, efficiently connect development, and realize more equitable development outcomes. LCDA-TOD grants are specifically focused on high density projects that contribute to a mix of uses and increase ridership in TOD-eligible areas along light rail, commuter rail, BRT, and high-frequency bus corridors.

Demand: Overall demand for LCDA and LCDA-TOD funding has been higher in every recent year than the funding available. Total requests for the LCDA and LCDA-TOD development programs were more than \$33 M in 2024, while in 2023 requests were over \$30 M.

Staff recommends that LCDA and LCDA-TOD allocations increase slightly this year, proportionate with the increase to the base, because of this ongoing strong demand for these programs. To simplify the applicant experience, applications to these two programs will be accepted through a unified application.

Pre-Development

The Pre-Development grant program supports early-stage development and redevelopment projects that intend to provide affordable housing and living wage jobs, efficiently connect development, and realize more equitable development outcomes.

Demand: In 2024, there was strong demand for Pre-Development, with nearly \$700k more in requests than was available to allocate. This was a continuation of high demand for the program in recent years.

Staff recommends that the Pre-Development funding allocation remain consistent this year, after an increase in 2023 to \$2 million.

Policy

The Policy program supports the development and adoption of local policies that influence the physical environment and advance Council and Thrive MSP 2040 (soon Imagine 2050) goals.

Demand: The total amount requested by cities in 2024 exceeded available funds and interest in the program has been growing each year since it launched in 2022.

Staff recommends \$200,000 for the Policy grant program and plans to expand on efforts to promote the Policy program. The Council’s FY2023 Pathways to Removing Obstacles to Housing grant from the US Department of Housing and Urban Development (HUD) also includes new funds



intended for policy and program development grants to cities. Staff may use these funds to supplement the LCDA Policy grant program if funding requests exceed available funds in 2025 and 2026, and if the proposals are eligible within our HUD program guidelines.

Affordable Homeownership

The Affordable Homeownership grant program seeks to help close the racial gap in homeownership by funding development or rehabilitation of affordable homeownership opportunities in areas where it is most challenging to do so.

Demand: Strong interest in the Affordable Homeownership program continued in 2024, with nearly \$2.5 M more in requests received than was available for awards. Demand for the program has exceeded available funds in each of the three initial years of this new program.

In 2024, as in 2023, staff recommend funding the Homeownership program via unrestricted LCA reserves. Staff recommends steady funding at \$3M for 2025.

Staff’s funding recommendations are summarized in Table 5.

Table 5. 2025 LCDA Account Funding Recommendations

Program	LCDA Development	LCDA-TOD Development	Pre-Development	Policy	Affordable Homeownership
Base Funding Allocation (\$14.3M)	\$8.1M	\$4.5M	\$2.0M	\$0	\$0
Unrestricted Reserves Allocation (of \$13M available across programs)	\$1.9M	\$1.2M	\$0	\$200,000	\$3.0 M
Total Funding Availability Recommended for 2025	\$10.0M	\$5.7M	\$2.0M	\$200,000	\$3.0 M

LCDA-TOD Eligible Areas

Through the FDP, the Council defines the areas that are eligible to compete for LCDA-TOD funds. To be eligible for an LCDA-TOD grant, a project must be within ½ mile of an existing or planned transit corridor or ¼ mile from high frequency bus routes. For projects in the planning phase, they must meet one of two additional requirements:

- The transit project has completed environmental review, OR
- Received a Record of Decision.

The map of eligible areas is posted publicly on the [Council’s website](#).

Given the uncertainty with the [Purple Line](#) project, staff recommend only including future station areas that are shared by [both alternative routes under consideration](#). This results in removing three station areas north of Maryland Avenue and south of Maplewood Mall from eligibility for 2025 LCDA-TOD grants. Development in these areas would still be eligible to apply through the LCDA-Development grant program.

In 2025, development within the F Line corridor will also be eligible for LCDA-TOD grants.



Summary of All Programs

Overall funding recommendations for all LCA programs are shown in Table 6, along with the balance of reserve funds that are not recommended for programming this year. Note that this does not currently include any special initiative funds.

Table 6. 2025 LCA Funding Availability Recommendations

Program	TBRA		LCDA					LHIA
Base Funding Allocation	\$5.0 M		\$14.6 M					\$1.5 M
Restricted Reserves Allocation Recommended	\$1.0 M		-					-
Unrestricted Reserves Allocation Recommended (of total \$13.0M available)	-		\$6.3M					\$1.0 M
Total Recommended for 2025	\$6.0 M		\$20.9 M					\$2.5 M
Recommended Distribution by Program	TBRA \$5.5M	SEED \$0.5M	LCDA \$10.0M	TOD \$5.7M	Pre-Dev \$2.0M	Policy \$0.2M	HO \$3.0M	LHIA \$2.5M
<i>Restricted reserve balance</i>	\$4.0M		-					-
<i>Unrestricted reserve balance</i>			\$5.7					

Finally, for all programs, the following term 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.

Scoring Criteria Updates for 2025

The LCA scoring criteria is intended to align LCA program impact with the Council's Thrive MSP 2040 outcomes of Livability, Sustainability, Equity, Prosperity, and Stewardship and upcoming Imagine 2050 goals. Staff have refined and adjusted the criteria each year since the last major restructure of the scoring criteria in 2021 to achieve the best balance of Council priorities and applicant access.

In response to conversations with Committee members, staff have been working in partnership with consultants Mary Kay Bailey and Ellen Waters to review LCA program data and understand needs of potential applicants to develop program changes. Staff are committed to making program changes through an engaged process with relevant stakeholders. Due to the upcoming adoption of Imagine 2050 and time-intensive nature of an engaged process, staff are proposing minor changes to LCA scoring criteria for 2025 and will dedicate time throughout 2025 to align 2026 grant programs with Imagine 2050 and develop improvements for potential applicants.

Overview of Proposed Scoring Criteria Changes

Notable scoring proposed changes for 2025 are summarized as follows.

Pre-Development

- 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 should be lowered to include more projects for consideration. Staff recommend lowering the minimum score to be eligible for funding from 20 to 15, out of 30 available points.

Policy Development

- Geographic Distribution: The Policy Development program was developed with the intent 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 10-point scoring criterion focused on city capacity. Applications from cities whose net tax capacity falls within the top 25% of LCA participating cities will receive two points for this criterion. Applications from cities whose net tax capacity fall between the median and top 25% will receive six points, and applications from cities whose net tax capacity falls below the median will receive the full 10 points. The Council will publish the list of LCA participating cities with their respective tax capacities and the corresponding points, so applicants can easily determine how many points they will receive for this criterion.
- Alignment: Eligible applications can seek to impact housing, wealth building and economic opportunity, or climate. Housing has, by far, been the most common goal for Policy grants. Therefore, to ensure that the Council can supplement this program with revenue from the HUD PRO Housing award, staff recommend a change to the housing goal language. The new language does not change the intent that policies developed through this grant program should allow for more development and preservation of housing, and it ensures that applications submitted through the Policy program for this goal could be considered for funds through the PRO Housing program, if the Policy grant requests exceed available funds again this year. The alignment will improve the applicant experience because they will only have to submit one application. PRO Housing grant awards will also come before the Committee and Council for approval as a separate business item.
- Removing Match Language: In 2024, the program included a 25% reimbursable match from the City. Because the match was reimbursable, it was not an indicator of the City's commitment to the project. Rather, it served an administrative function to ensure that work was completed before the Council made the final grant reimbursement. The Council is able to provide this assurance through terms in its grant agreements rather than through the match language. Staff expect that removing the match language will encourage more applications and will also allow the Council to supplement this program with revenue from the HUD PRO Housing award.

Homeownership

- Clarity of Intent: Staff recommends redistributing some of the points from the heavily weighted criteria "Other efforts as described by applicant that further equitable access to homeownership," to improve clarity. The criteria was worth 11 points in 2024, while no other criteria in that section was worth more than 3. By redistributing some 6 of the points to other criteria in that scoring section, the Council can make it clearer how projects can earn points for furthering equitable access to homeownership.

Attachments:

Attachment 1: 2025 Scoring Tables for LCA Programs, clean version

Attachment 2: Scoring Tables for LCA Programs, showing all changes proposed for 2025

