

## Community Development Committee

Meeting date: January 3, 2022

**Subject:** Livable Communities Act Tax Base Revitalization Account Seeding Equitable Environmental Development (TBRA SEED) Grant Category Discussion

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

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

**Staff Prepared/Presented:** Marcus Martin, Senior Planner (651-602-1054); Tara Beard, Livable Communities Manager (651-602-1051),

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

### Proposed Action

Information item only. Council staff seek feedback and direction on 2022 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 in support of 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 presented an evaluation of one of three grant categories offered annually – the SEED grant category. At the regularly scheduled Community Development Committee meeting on January 3, 2021, staff will be presenting options and recommendations in consideration of the following key findings:

- There are additional areas to consider for SEED eligibility
- SEED has not yet demonstrated its ability to further TBRA goals of increasing tax base and creating or preserving jobs and housing ([Minn. Stat. § 473.252, subd. 3\(b\)\(1\)](#))
- SEED is undersubscribed and has only received one application outside the central cities

Staff is requesting feedback on the expansion of SEED eligible areas, the three options presented for program design, and the staff recommendation to eliminate the local match requirement. Committee direction will inform the 2022 LCA Fund Distribution Plan which will be brought forward in February for approval for the 2022 round of LCA grants, which includes the TBRA and SEED programs.

The following report includes further analysis on each of the above key findings, options for consideration, and other key factors.

## Expanding SEED Eligible Areas

### Current SEED Eligible Areas

SEED was developed with the intention of addressing equity and poverty by encouraging redevelopment through site investigation and contamination cleanup 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 are encouraged to apply to one of the other existing TBRA grant categories.

Locations eligible for SEED grants include current and historic areas of concentrated poverty (ACPs), or properties located within 150 feet of ACPs. ACPs measure poverty at 185% of the federal poverty threshold, or \$23,828 a year for an individual in 2021. Census tracts where more than 40% of the population met that threshold are considered ACPs. Some ACPs also have concentrations over 50% of Black, Indigenous, and other residents of color.

### Future SEED Eligible Areas

Staff have been exploring whether or not additional geographic data should be considered to expand eligible locations for SEED grants and create more opportunities to achieve program goals.

In addition to ACPs, staff considered the following data to explore additional parts of the region where the SEED goal of addressing equity and poverty could be met, as shown in Table 1 below.

Table 1. New data considerations for SEED eligibility

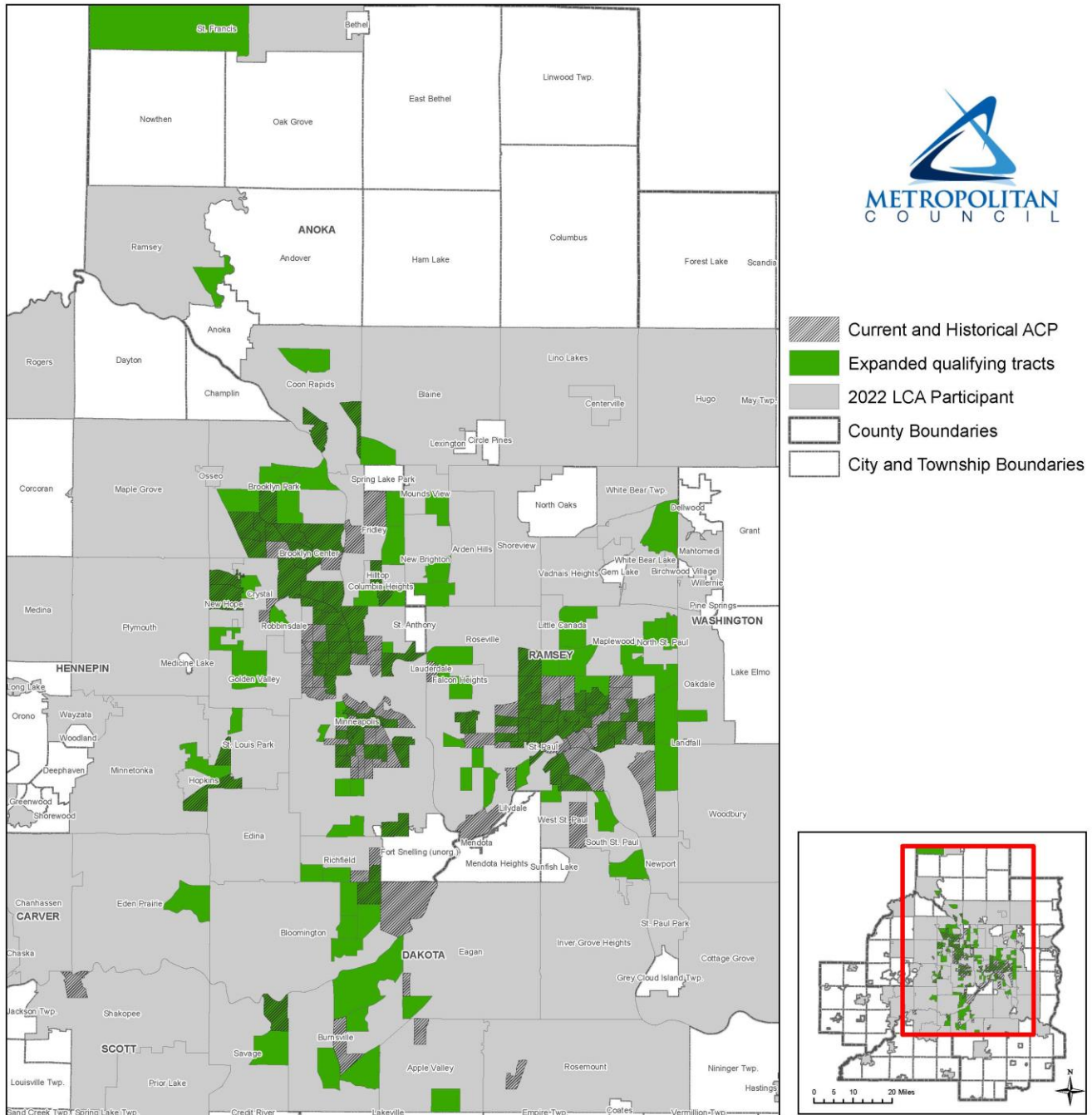
Data	Consideration
<b>Building Permit Activity</b>	Little or no building permit activity may indicate a softer market for redevelopment, and fewer opportunities for economic growth in the community
<b>Concentrations of low-wage jobs</b>	Areas of the region with concentrations of low wage jobs may indicate where opportunities for individual economic growth are limited
<b>Concentrations of Black, Indigenous, and other populations of color</b>	Areas of the region where shares of BIPOC residents are higher than the regional average of 31%
<b>Concentrations of low-income households</b>	Areas of the region where extremely low-income households (households earning \$35,000 or less) represent more than 40% of all households in that census tract. The regional share of households at this income level is 20%.

The following map (Map 1) shows what census tracts would be added to existing SEED eligible areas when the additional data described above is considered in the following ways:

1. Census tract fulfils one of the concentration criteria (low-wage jobs, BIPOC populations, low-income households) AND have 3 or less new construction building permits pulled in the last 5 years (multi-family or non-residential only),
2. If the concentration of low-wage jobs is the only criteria satisfied, only tracts with 400 or more jobs are considered, and
3. All tracts have to have at least 0.5% of their area (approximately 7 acres) have a planned land use that is multi-family, commercial, office, mixed

use, or industrial land use (these are land uses that are compatible with competitive SEED projects)

Map 1. Existing and potential SEED eligible areas



If these new data are added to ACPs, there would be an increase of 63 census tracts and 15 cities that would have SEED eligible areas in 2022 as illustrated in Map 1. Staff recommends the addition of these areas to SEED eligibility to broaden where equitable environmental development could be supported. As staff has noted previously, SEED has consistently been under-subscribed and almost all applications have come from the two central cities; this expansion may have the secondary benefit of increasing the number and geographic diversity of future applications.

## Program Focus and Outcomes

The SEED program uniquely eliminates the need to have an identified redevelopment project when the site is in an area of focus for geographic equity. While prior applications demonstrated varying potential for redevelopment, as staff have previously reported, no redevelopment outcomes have materialized to date on sites that have received SEED awards. (A few sites are close to breaking ground, but it is not clear that SEED funding was a significant factor in catalyzing the redevelopment.)

Another way to consider SEED outcomes is by looking at how much funding awarded has been spent investigating and cleaning up sites. Half of the sites awarded in 2019 or earlier with SEED grants have used most of the funding to improve development prospects soon after award (projects awarded in 2020 or 2021 would not be expected to have spent down all funds).

SEED funding is intended to be patient and impactful. The grants support investigation and partial cleanup on sites that are not expected to redevelop immediately, particularly in areas that experience socio-economic and racial disparities. At the same time, the grants are also expected to meet statutory purpose of all TBRA funds is to increase tax base and the creation or preservation of living wage jobs and housing.

Below are options that consider different balance points for the two goals of meeting statutory goals and providing patient funds that have the potential to further equitable outcomes. All options assume the expansion of SEED eligible areas as described in the first section.

### *Option 1: Maintain Current Program Design*

Option 1 favors the flexibility and patience to continue to “plant seeds” for redevelopment that increase the potential for equitable development outcomes. This option would continue to accept SEED applications for eligible sites that have redevelopment potential but no identified project. If the program continues to operate under this current design, staff recommend another evaluation in 2025 to consider if that patience and flexibility are sufficiently achieving TBRA goals.

### *Option 2: All projects in SEED-eligible locations must apply to SEED*

Option 2 attempts to most equally balance potential equity outcomes with the statutory goals of TBRA. It would require all projects in SEED eligible locations to apply to the SEED program rather than to the general Investigation or Cleanup programs. As a result, sites without identified redevelopment projects would compete with sites with identified redevelopment projects. Though sites with unidentified projects would be less competitive, they could still receive funding if qualifying applications *with* identified redevelopment projects did not request all available funding. If the program were shifted to this design, staff would present options for funding availability for SEED and regular TBRA to account for the anticipated shift in funding requests across the two programs at a future committee meeting.

### *Option 3: Absorb SEED into regular TBRA*

Option 3 prioritizes the statutory goals of TBRA most stringently but eliminates the ability of projects without an identified redevelopment project to receive funds. Priority would be given to projects located in what are now SEED eligible locations but would evaluate projects most impactfully on the identified project outcomes around jobs, housing, tax base, and compact, connected development.

## Additional Considerations

SEED applications have primarily come from the central cities, though SEED eligible areas include census tracts in 22 different LCA-participating cities in the region. There are a variety of reasons that can account for this:

- Contamination is more likely to be an issue for redevelopment in parts of the region that have had a longer industrial history before many environmental rules were established
- Development proposals received within prior SEED target areas did not always require remediating contamination
- City staff time is required to support and administer a SEED application/award; not all cities have that capacity or have other priorities

While additional outreach efforts have been made in recent years, there is little indication that cities other than Minneapolis or St. Paul will be future, or frequent, applicants to SEED. However, in addition to continued staff outreach efforts, there are two recommendations for the committee to consider that may encourage more city participation in the program and representation in SEED awards:

1. Expand SEED eligible areas using the equity considerations data as described above, adding 63 census tracts and 15 cities.
2. Eliminate the local match requirement, which may be another barrier to receiving more SEED applications.

Currently SEED awards require a 25% local match, to demonstrate a local commitment to redevelopment. However, staff have received feedback that this can be a barrier to applications and recommends eliminating the local match requirement to see if that generates more applications from more cities. Staff will evaluate and report back to the committee on the effects of this change if it moves forward, as the local match requirement can be reinstated for any future annual cycles if it does not result in the intended outcomes.