

DAKOTA COUNTY CDA REDEVELOPMENT INCENTIVE GRANT PROGRAM

(revised 8/12/08)

A. OVERVIEW:

The need for redevelopment is growing as Dakota County has become more mature and urban in nature. At the same time, the resources have become far more constrained and the cost of acquiring property and cleaning up contamination has increased. This necessitates the development of a new funding initiative in order to give cities of Dakota County the ability to update and upgrade. The continual redevelopment of aging and decaying areas will help retain and attract residents and businesses.

The ability of Dakota County to accommodate growth has changed drastically in the past 20 to 30 years. The first ring cities of West St. Paul, South St. Paul and Mendota Heights have almost no land that has not been developed. Cities like Burnsville and Eagan, considered developing cities in the 1980's and 1990's, have become nearly fully developed. Even the developing communities of today like Farmington, Hastings, Lakeville and Rosemount have older core areas that are more than 100 years old.

While the need for redevelopment is growing the available resources are declining. Funding for the federal community development block grant program (CDBG) has been declining in real and inflated dollars since 2001. At the State level, the story is very similar related to funding from DEED and the Met Council, and the use of tax increment financing.

In addition, affordable housing has become more and more expensive to develop and difficult to site in Dakota County. According to a CDA study of workforce housing needs, the County will need an additional 8,100 units of rental workforce housing by the year 2020. This is caused by both household growth and by increasing job growth in the County.

B. PROGRAM PURPOSE:

The program will have two primary purposes that will each enable Dakota County to improve the tax base and the quality of life of our area.

1. Assist cities with redevelopment goals. Blighted and under-utilized areas do not maximize their potential value in terms of either economic or livability of our area. Also, they often require additional service costs. The responsibility for creating redevelopment activities rests primarily on the shoulders of cities. Although Dakota County cities have been proactive in promoting redevelopment they lack sufficient resources to enable this to fully occur.
2. Promote the development of affordable workforce and supportive housing. While the need for affordable housing continues to grow, the opportunities for development and rehabilitation are rare due to the availability of properly zoned land and the cost of

land. Although city officials are sympathetic in concept, they have few incentives and more disincentives to see affordable housing develop. Generally, affordable housing is viewed as a lower property tax producing activity that is also controversial with neighborhoods.

C. FUNDING AUTHORITY:

The Dakota County CDA Board of Commissioners initially approved the set aside of \$1,000,000 for this program in the fiscal year beginning July 1, 2006. This set aside was included in Resolution no. 06-4045. The CDA Board makes decisions annually during the budget process regarding additional program funding.

D. FUNDING AVAILABILITY:

The Dakota County CDA will request funding proposals one time per year. The CDA will advertise the availability of funding through a direct mailing to cities approximately 8 weeks before December 1st, the date applications are due. Funding awards will be made at a subsequent CDA Board of Commissioners' meeting.

E. GRANT TYPES, TERMS AND LIMITS:

All funds awarded under the Redevelopment Incentive Grant Program will be in the form of a grant. The CDA will reserve ten percent (10%) or \$100,000 for Redevelopment Planning Grants. The maximum Redevelopment Planning Grant will be \$15,000. The remaining funds will be used for Redevelopment Incentive Grants. The maximum Redevelopment Incentive Grant will be \$250,000.

F. ELIGIBLE APPLICANTS:

Eligible applicants for this program are cities in Dakota County. Only one application per city for each grant type will be accepted.

G. REDEVELOPMENT PLANNING GRANTS:

The Redevelopment Planning Grants would be restricted to activities directly related to a redevelopment project (e.g., market analysis, concept development, site design, zoning studies, engineering studies, and environmental studies).

The application must meet the following threshold criteria to be scored.

1. Application must be approved by the respective city council.
2. There must be a minimum leverage rate of 1 to 1 (\$1 of other funds for every \$1 of Redevelopment Planning Grant).
3. The city must be supportive of affordable housing and the CDA's mission.

H. REDEVELOPMENT INCENTIVE GRANTS:

ELIGIBLE PROJECTS:

Eligible projects include redevelopment which will improve the economic use and value of the property and will serve a public purpose. Redevelopment is defined as the reconstruction, re-use or change in use of any developed property usually characterized by the clearance of existing structures and new construction. The new use may be residential, commercial, retail, industrial or other use that the city supports.

ELIGIBLE ACTIVITIES:

The Redevelopment Incentive Grants would be restricted to the following activities that are commonly associated with redevelopment:

1. Property acquisition (see also Section J).
2. Relocation payments to occupants of property acquired with program funds
3. Clearance and demolition expenses related to site assemblage for redevelopment and consistent with the redevelopment plan
4. Clean up of pollution or other contaminants on the impacted site
5. Historic preservation (rehabilitation of properties with national or local significance in order to preserve that significance)
6. Necessary public improvements including but not limited to parking structures, sewer and water, sidewalks, street reconstruction, and ponding;
7. Streetscape
8. Corrections to soil conditions that require extraordinary expense to remediate

INELIGIBLE COSTS:

The Redevelopment Grants cannot be used toward the following activities in a redevelopment project:

1. Construction and associated soft costs related to the project to be built on the redeveloped site
2. Costs not included in the application
3. Residential rehabilitation or house moving
4. Administration
5. Redevelopment of a public facility

THRESHOLD CRITERIA:

The application must meet the following threshold criteria to be scored.

1. Application must be approved by the respective city council.
2. There must be a minimum leverage rate of 2 to 1 (\$2 of other funds for every \$1 of Redevelopment Grant).
3. The city must have completed a redevelopment plan for the impacted area.
4. The city must be supportive of affordable housing and the CDA's mission.

COMPETITIVE CRITERIA:

If the application meets all threshold criteria, the application will then be reviewed and ranked on the following competitive criteria.

1. Leverage. Applications should include a variety of other funding sources committed to the project. Other funding sources could include CDBG, TIF, DEED, Metropolitan Council, or other public and private resources. [20 Maximum Points]
2. Readiness to Proceed. The applicant should be ready to proceed with the identified project upon funding award. [20 Maximum Points]
3. Housing Affordability. Applications should consider the inclusion of affordable housing in their redevelopment plans. Preference will be given to projects that include family, workforce and/or supportive housing units. “Affordable” is defined as: (a) rental – available to households at/below 50% of the area median income; (b) owner – available to households at/below 80% of the area median income. [20 Maximum Points]
4. Economic Benefit. The project should have a defined impact on the local economy. This impact is measurable through growth in property taxes and new and/or retained head-of-household jobs. [15 Maximum Points]
5. Environmental Improvement. Projects that will clean-up, prevent and protect from environmental hazards will be encouraged. Applicants should work with state agencies and professional consultants to select optimum remedy and create sustainable redevelopment. [15 Maximum Points]
6. Smart Growth Concepts. Projects should consider the need for public transit, walkable neighborhoods, green space, and mixed land uses that build a strong sense of community. [10 Maximum Points]

I. SELECTION:

Applications will be reviewed by CDA staff. Applications must be complete and received at the CDA by the due date. No additional information or documents will be accepted after December 1, unless requested by the CDA. Applicants will be asked to present their funding request and answer questions regarding their application with the staff review committee. Applications meeting the threshold criteria and scoring highly on the competitive criteria will be submitted to the CDA Board of Commissioners for approval. The CDA reserves the right to reject any application in whole or in part for any reason. After selection and approval by the CDA Board of Commissioners, the CDA will issue a letter of commitment.

J. PROPERTY ACQUISITION:

Property acquisition may be undertaken by a public, private or non-profit entity as part of a redevelopment activity. In all instances, the CDA will provide the Redevelopment Incentive Grant to the city, which in turn, will provide those funds to another acquiring entity if necessary. The corresponding grant agreement will specify conditions whereby the acquiring entity will have no recourse to the CDA in matters related to the acquisition of real property.

If federal funds are used in whole or in part for a project, including property acquisition, clearance and/or construction, all provisions of 49 CFR 24.101 (the Uniform Relocation Act, or URA) must be followed. With all other funding sources, the cost of property acquisition must be based on a determination of fair market value as derived from an independent appraisal or the county's current estimated market value (with the ability to exceed those amounts by no more than ten percent for the final acquisition price). If the final acquisition price exceeds these parameters, the Redevelopment Incentive Grant must be less than these established value limits with the additional cost being paid by public or private matching funds.

Minnesota Statutes 117.50 et. seq. and related case law also require that in all acquisitions undertaken by an acquiring entity without federal participation, the authority must provide relocation assistance as a cost of acquisition. Additionally, the Minnesota Supreme Court held in *In Re Wren*, 699 N.W.2d 758 (Minn. 2005) that an authority may be responsible for certain relocation costs when property is acquired by a private developer if the activities of the authority and the developer are so intertwined to produce a joint acquisition of the project.

K. GRANT AGREEMENT:

CDA staff will work with the city and enter into a Grant Agreement. This agreement will detail the terms and conditions of the grant and allow for the release of funds to the city. The grant agreement will require funds to be spent within 18 months of the date of the agreement. Waivers and extensions to any provision in the agreement requested by the grantee will be considered on a case by case basis depending on the merits of the request.

L. REIMBURSEMENT FOR EXPENDITURES:

Requests for reimbursement of approved expenditures must be sent to the CDA. The request will be submitted on a Request for Reimbursement form along with copies of all project related invoices.

M. ONGOING REQUIREMENTS:

The grantee will be required to submit semi-annual progress reports to the CDA. As needed, the CDA will perform on-site monitoring for compliance with the grant agreement. At project completion, the grantee will be required to submit a final report. This report will signify the close out of the project.