

Business Item

Community Development Committee



Committee meeting date: February 2, 2026

For the Metropolitan Council: February 11, 2026

Business Item: 2026-40

2026 Livable Communities Funding Availability

District(s), member(s): All

Policy/legal reference: Minn. Stat. § 473.25

Staff prepared/presented: Emily Seddon, Livable Communities Manager, 651-602-1023

Division/department: Regional Planning / Community Development

Proposed action

That the Metropolitan Council approve \$27,500,000 for the FY2026 Livable Communities grant program, as described in [Attachment 1: FY2026 Livable Communities Fund Availability](#), to be administered per the 2026-2027 Fund Distribution Plan.

Background

The [Livable Communities Act](#) (LCA) requires the Council to prepare an annual plan (Fund Distribution Plan) for distributing Livable Communities grants. Program criteria must be consistent with and promote the purposes of the statute and the Metropolitan Development Guide ([Imagine 2050](#)). The Council approved the 2026-2027 Fund Distribution Plan in the fall of 2025 (Business Item [2025-235](#)), the culmination of an extensive effort to respond to community needs and align the program with Imagine 2050 goals. While the Council approved the Fund Distribution Plan for a two-year period (2026-2027), the funding availability must be approved annually.

The LCA establishes three active funding accounts, each with a slightly different purpose.

- The **Tax Base Revitalization Account (TBRA)** may be used to fund environmental site investigation and cleanup activities.
- The **Local Housing Incentives Account (LHIA)** can be used to help cities meet their [local forecasted affordable housing need](#) and requires a local dollar-for-dollar match.
- The **Livable Communities Demonstration Account (LCDA)** is the program's most flexible funding account and can be used to advance the goals of the LCA and the regional development guide, [Imagine 2050](#).

Funding Availability: Sources

In 2026, programmable Livable Communities funds include base revenue as established by statute, funds unawarded or relinquished in previous years, restricted reserves, and unrestricted program reserves (interest earned on program funds).

Base Revenue

The 2026 Livable Communities base revenue is outlined in Table 1.

Table 1. 2026 Livable Communities Base Revenue

Funding Account	2026 Base Revenue	Change from 2025 Base Revenue	Calculation Method
Tax Base Revitalization Account (TBRA)	\$5.0M	No change	Fiscal Disparities program with statutory limit of \$5M per year (Minn. Stat. § 473F.08, subd. 3b)
Local Housing Incentives Account (LHIA)	\$1.5M	No Change	\$1M from the Council's general fund and \$500k from the LCDA tax levy (Minn. Stat. § 473.254)
Livable Communities Demonstration Account (LCDA)	\$15M	+\$0.4M	Statute sets a formula for growth from base revenue as the regional tax levy revenue grows (Minn. Stat. § 473.253)
TOTAL	\$21.5M	+\$0.4M	

Programmable Reserves

The Livable Communities program has two types of reserves.

- **Restricted reserves** must be used only for activities allowable within the specific funding account. This reserve is a balance of unawarded and relinquished funds.
- **Unrestricted reserves** can be used for any Livable Communities grantmaking. This reserve is a balance of interest earned on Livable Communities funds.

Table 2. 2026 Livable Communities Programmable Reserve Balances

Programmable Reserve Type	2026 Balance
Restricted – Tax Base Revitalization Account	\$4M (includes \$31,700 unawarded in 2025)
Restricted – Local Housing Incentives Account	\$0
Restricted – Livable Communities Demonstration Account	\$0
Unrestricted	\$10M
TOTAL	\$14M

Programmable reserves do not include the funds reserved to cover active grant commitments.

Over the past several years, the Met Council has used programmable reserves to increase annual funding and pilot new programs, such as the Affordable Homeownership grant program. This has been a critical resource for partners working to address the affordable housing crisis, while at the same time reducing interest earnings to fund future allocations and reserves.

Supplemental Funding

The Met Council can add additional funding to the Livable Communities program. In the fall of 2025, the Met Council supplemented the Livable Communities policy development grant funding with funds from the U.S. Department of Housing and Urban Development (HUD) Pathways to Removing Obstacles (PRO) to Housing FY23 grant. In 2026, \$439,000 from the FY23 HUD PRO grant is available to supplement the Livable Communities policy development funding opportunity. No additional funds have been budgeted to support other Livable Communities outcomes.



Recommendation

This recommendation includes making the base revenue, \$1M from the TBRA restricted reserve, and \$5M from the unrestricted reserve available for grantmaking in 2026 (see Table 3).

Table 3. Sources: 2026 Livable Communities Funding Availability Recommendation

Source	Programmable Balance	FY2026 Recommendation	2026 Anticipated Ending Balance
Base Revenue: TBRA	\$5,000,000	\$5,000,000	\$0
Base Revenue: LHIA	\$1,500,000	\$1,500,000	\$0
Base Revenue: LCDA	\$15,000,000	\$15,000,000	\$0
Restricted Reserve: TBRA	\$4,000,000	\$1,000,000	\$3,000,000
Unrestricted Reserve	\$10,000,000	\$5,000,000	\$5,000,000 + 2026 interest earnings
TOTAL	\$35,500,000	\$27,500,000	\$8,000,000 + 2026 interest earnings

Funding Availability: Uses

The 2026-2027 Fund Distribution Plan that was approved by the Met Council in the fall creates three primary funding opportunities:

1. **Policy development projects** to support cities in setting conditions for dense, connected, and equitable development. Eligible activities include the consultant and staff time needed to create or update a city-adopted policy.
2. **Small area planning projects** also support cities in setting conditions for dense, connected, and equitable development. Eligible activities include the consultant and staff time needed to create a small area plan that is incorporated into the city's comprehensive plan.
3. **Development projects** may be affordable rental, homeownership, community-centered commercial spaces, or, in limited situations, if the project meets environmental cleanup goals, larger commercial or light industrial projects. Eligible activities span the development continuum from planning and acquisition to site preparation and environmental cleanup, through construction and rehab. The Met Council will fund development projects through its own single-entry point application process and the Minnesota Housing Consolidated Request for Proposals (RFP).

One of the goals of the 2026-2027 Fund Distribution Plan was to simplify the process for applicants; therefore, the Met Council will publish the 2026 Livable Communities Notice of Funding Availability (NOFA) by outcome and manage the specific sources internally. The sources and uses proposed in this recommendation are outlined in Table 4.



Table 4. 2026 Livable Communities Funding Allocation Sources and Uses

Use: Outcome	FY2026 Available Funding	Source
Policy Development	\$200,000	LCDA
Small Area Planning	\$400,000	LCDA
Early Stage Development: Environmental Site Investigation	\$500,000	TBRA
Early Stage Development: Pre-Development	\$1,500,000	LCDA
Construction Stage Development: Environmental Cleanup	\$5,500,000	TBRA
Construction Stage Development: Homeownership	\$3,500,000	LCDA
Construction Stage Development: Rental, Mixed-Use, Commercial	\$12,400,000	LCDA & Unrestricted Reserve
Construction Stage Development: Multi-Family Rental Housing funded through the Minnesota Housing Consolidated Request for Proposals (RFP) ¹	\$3,500,000	LHIA & Unrestricted Reserve
Total	\$27.5M	

¹ The funding recommendation for the “Construction Stage Development: Multi-Family Rental Housing funded through the Minnesota Housing Consolidated Request for Proposals (RFP)” funds housing only and mixed-use projects that are a subset of the outcomes in the “Construction Stage: Rental, Mixed-Use, Commercial” category above. It is separated here because it is a separate application and award process.

Rationale

Staff gathered feedback from the Community Development Committee on the FY2026 funding availability at the [January 20, 2026, meeting](#). Noting the significant need for funding to address the housing crisis and commitments made in Imagine 2050 to increase funding available in certain areas, Council Members encouraged supplementing the program’s base revenue with restricted and unrestricted reserves, while maintaining a reserve balance sufficient to support cash flow on multi-year grants. Adopting the FY2026 Livable Communities Funding Availability will allow staff to issue a public Notice of Funding Availability and administer the Livable Communities program in 2026.



Imagine 2050 lens analysis

Staff spent most of 2025 updating the Livable Communities program to align with Imagine 2050 goals and respond to Council Member and partner feedback. The Livable Communities program is a key housing policy and economic development (via environmental cleanup) tool to advance Imagine 2050 goals. Specifically, the 2026-2027 Fund Distribution Plan will advance the Imagine 2050 goals to:

1. Create a **dynamic and resilient region** by helping to expand housing choice and improve the ability of residents to meet their needs in their communities.
2. Create an **inclusive and equitable region** by helping improve physical, mental, and cultural safety through intentional, community-driven development projects.
3. Create **healthy and safe communities** by helping improve safety and the ability of residents to meet their needs in their communities.

Additionally, the Livable Communities program will have a secondary impact on the Imagine 2050 goals to **address climate change** and **protect and restore natural systems** by funding planning

and development projects that incorporate these goals. See [Business Item 2025-235 Appendix A: Imagine 2050 Policy Reference Matrix](#) for specific policy citations.

Funding

In FY2026, the Livable Communities base revenue of \$21,500,000 is available for grantmaking in the [2026 Unified Budget](#). An additional \$14,000,000 is available through program-restricted and unrestricted programmable reserves. This recommendation provides for spending the base revenue and a portion of reserves in FY2026. Future Council annual budgets and budget amendments may use program reserves to meet cashflow needs of multi-year grants.

Attachments

[Attachment 1: FY2026 Livable Communities Fund Availability](#)



Attachment 1: FY2026 Livable Communities Fund Availability

The Metropolitan Council approved the 2026-2027 Livable Communities Fund Distribution Plan in the fall of 2025 (Business Item [2025-235](#)). It will approve specific funding available to implement the plan each fiscal year.

The Metropolitan Council will make the following funding sources available for FY2026 Livable Communities programming, as described in Table 5.

Table 5. Sources: FY2026 Livable Communities Funding Available by Account

Livable Communities Funding Account	FY2026 Funding
Tax Base Revitalization Account	\$5,000,000
Tax Base Revitalization Account Restricted Reserve	\$1,000,000
Local Housing Incentives Account	\$1,500,000
Livable Communities Demonstration Account	\$15,000,000
Livable Communities Unrestricted Reserves	\$5,000,000
TOTAL	\$27,500,000

The Metropolitan Council will designate the use of the above funds for the following outcomes, as described in Table 6.

Table 6. Uses: FY2026 Livable Communities Funding Available by Outcome

Livable Communities Outcome	FY2026 Funding
Policy Development	\$200,000
Small Area Planning	\$400,000
Early Stage Development: Environmental Site Investigation	\$500,000
Early Stage Development: Pre-Development	\$1,500,000
Construction Stage Development: Environmental Cleanup	\$5,500,000
Construction Stage Development: Homeownership	\$3,500,000
Construction Stage Development: Rental, Mixed-Use, Commercial	\$12,400,000
Construction Stage Development: Multi-Family Rental Housing funded through the Minnesota Housing Consolidated Request for Proposals	\$3,500,000
TOTAL	\$27,500,000

Award Cycles: The 2026-2027 Fund Distribution Plan establishes two Livable Communities funding rounds annually, with applications due April 15 and October 15, for all outcomes except “Construction Stage Development: Multi-Family Rental Housing funded through the Minnesota Housing Consolidated Request for Proposals,” which is awarded once annually through the Consolidated Request for Proposals (RFP).

For the outcomes awarded twice per year, half of the available funding will be allocated per outcome in the first funding round. The second half of the available funding, plus any unawarded funds from the first round, will be made available in the second funding round.

Demand: If, in the second funding round, the Met Council has received fewer eligible requests

than funds available, unawarded funds may be used to fulfill any eligible, unfunded request, in whole or part, that is allowed by the funding source (account).

Partial Awards: The Met Council may make partial awards.

