Information Item

Community Development Committee

METROPOLITAN COUNCIL

Meeting date: January 20, 2026

Topic

2026 Livable Communities Funding Allocation Recommendation

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

Background

The Livable Communities Act (LCA) requires the Council to prepare an annual plan for the distribution of Livable Communities funds in accordance with program criteria established by the Council. Criteria must be consistent with and promote the purposes of the statute and the Metropolitan Development Guide. The Council approved the 2026-2027 program criteria 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.

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.

As discussed during the process to create the 2026-2027 program criteria, the Met Council will allocate funding from these accounts with a focus on the outcome they will achieve.

At the January 20, 2026, committee meeting staff will review funding availability before recommending approval at the February 2, 2026, meeting, and seek Committee feedback on the outcomes and funding scenarios described in the body of this report. Questions for discussion include:

- What do you like about the outcomes prioritized in the above scenarios?
- What would you like to see prioritized differently?
- How do you want to utilize the programmable reserve?

Funding Availability

Each year, the Met Council approves a funding allocation for the program that combines 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 available 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)

Programmable Reserves

The Livable Communities program has two types of reserves.

- **Restricted reserves** must be used only for activities 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.

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

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

Table 2. Livable Communities Programmable Reserve Usage 2021-2025

Programmable Reserve Type	2021	2022	2023	2024	2025
Restricted	$1M (TBRA) $2.5M (LHIA) $2.4M (LCDA)	$0.5M (TBRA) $3M (LCDA)	$0.5M (TBRA) $0.4M (LHIA) $3M (LCDA)	$0.5M (TBRA)	$1M (TBRA)
Unrestricted	$0	$2M	$3.5M	$5.7M	$7.3M
Total Reserve Usage	**$5.9M**	**$5.5M**	**$7.4M**	**$6.2M**	**$8.3M**

Table 3. 2026 Livable Communities Programmable Reserve Balances

Programmable Reserve Type	2026 Balance
Restricted - TBRA	$4M
Restricted - LHIA	$0
Restricted - LCDA	$0
Unrestricted	$10M

Staff recommend continuing to use some of the programmable reserve balance for grantmaking, while maintaining some balance to support cash flow.

Unawarded funding from 2025

Unawarded funding from 2025 is part of the programmable reserve balance. In 2025, all LCDA and LHIA funds were awarded. $31,700 from the 2025 TBRA available funding was unawarded and staff recommend making this funding available in 2026.

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. Staff recommend supplementing that funding opportunity in the same way in 2026. No additional funds have been budgeted to support other Livable Communities outcomes.

2026 Funding Recommendation Scenarios

Staff have identified three scenarios for the 2026 Livable Communities funding recommendation to discuss with the Committee:

1. Make only the base revenue available, allowing the reserve balance to regrow.
2. Make the base revenue available and include a small percentage of the reserve balance, maintaining the reserve balance.
3. Make the base revenue available along with about 40% of the reserve balance, further depleting the reserve balance to keep funding near level for partners.

Table 4. Scenarios for 2026 Livable Communities Funding Opportunity

Scenario	TBRA	LHIA	LCDA	Reserves Used in 2026	Total	2026 Ending Reserve balance
1. Base revenue only	$5M	$1.5M	$15M	$0	**$21.5**	$4M (TBRA Restricted) $11M (Unrestricted)
2. Base revenue + small percentage of reserve	$5M	$1.5M	$15M	$1M (TBRA)	**$22.5**	$3M (TBRA Restricted) $11M (Unrestricted)
3. Base revenue + 40% of reserves	$5M	$1.5M	$15M	$1M (TBRA) $5M (Unrestricted)	**$27.5M**	$3M (TBRA Restricted) $6M (Unrestricted)

The 2026-2027 program design 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, or community-centered commercial spaces. 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 as well as the Minnesota Housing Consolidated Request for Proposals (RFP).

Within the development project category, there are additional decisions about what stage and type of development the Livable Communities program will fund. When recommending funding levels, staff consider the past demand for the type of grant and Livable Communities and Imagine 2050 goals. In 2026, staff considerations included:

- **Demand:** Livable Communities grant funds were in high demand in 2025. Most funding opportunities received far more requests than available funds. However, the Met Council had more funding available for environmental site investigation, cleanup, and policy development grants than it received applications for. This is likely due to project timing and market forces (June 2, 2025 Info Item), and not a lack of need. The remaining balance of the policy development grant funds was reallocated in accordance with the 2025 Fund Distribution Plan. The unawarded environmental cleanup funds are reserved for future programming.

- **Support for emerging developers:** Emerging developers, especially emerging developers of color, often do not have access to the upfront capital needed to plan development projects. Developers have repeatedly shared that pre-development support is critical to their success in building and rehabbing housing. Supporting pre-development costs is one way that the Met Council can value and promote a just economy (Imagine 2050, Land Use Policy Plan, Policy 39) and advance economic equity (Imagine 2050, Land Use Policy Plan, Policy 40). Too great an emphasis on pre-development funding, however, has some downsides. Not every project in the pre-development stage will come to fruition. While the Livable Communities program views learning that a project is not feasible as a successful outcome of a pre-development grant, our goal is to build more affordable housing. Because of the uncertainty at the early stages of these projects, not every participating Livable Communities city will apply for pre-development funds on behalf of projects, which could result in a geographic imbalance in awards.

- **Wealth building:** Homeownership is a key tool for wealth building. The Imagine 2050 Housing Policy Plan, Policy 2 calls for the Livable Communities program to increase the amount of funding allocated to creating affordable homeownership opportunities. Livable Communities grants often account for a higher percentage of overall project funding for affordable homeownership projects than for rental projects. Ownership projects also usually cost more per unit than rental projects. Therefore, when setting the funding recommendation, it is important to note that greater emphasis on homeownership opportunities in Livable Communities grantmaking will result in fewer units of housing funded overall.

- **Partnerships:** The Minnesota Housing Consolidated RFP adds efficiency for applicants because project teams only have to apply once for multiple sources of funding. Coordinating and leveraging Met Council funding with other funding partners can also help projects advance more quickly than if the project team had to work with each funder individually. However, not all the types of projects that the Livable Communities program wants to fund are a good fit for the other funding sources in the Consolidated RFP. The Consolidated RFP application is large because some of the funding partners are underwriting loans. As a result, smaller projects and projects in the early stages of assembling financing often do not apply through this process. Staff recommend balancing the funding allocation between the Livable Communities single-entry-point application and the Consolidated RFP application to fund a mix of project types across the region.

Table 5 shows the funding allocation for the three different scenarios. The table lists the total funding available for 2026. Funds would be split evenly between the two application cycles in April and October, except for the Minnesota Housing Consolidated RFP, which has only one application cycle per year.

Table 5. 2026 Livable Communities Funding Recommendation Scenarios by Outcome

Outcome	2025 Equivalent Funding Amount[1]	1. Base revenue only	2. Base revenue + small percentage of reserve	3. Base revenue + 40% of reserves
Policy Development	$200,000 (Unrestricted Reserves)	$200,000 (LCDA)	$200,000 (LCDA)	$200,000 (LCDA)
Small Area Planning	Not Eligible	$400,000 (LCDA)	$400,000 (LCDA)	$400,000 (LCDA)
Early Stage Development: Environmental Site Investigation	$500,000 (TBRA)	$500,000 (TBRA)	$500,000 (TBRA)	$500,000 (TBRA)
Early Stage Development: Pre-Development	$2,000,000 (LCDA)	$1,400,000 (LCDA)	$1,400,000 (LCDA)	$1,500,000 (LCDA)
Construction Stage Development: Environmental Cleanup	$5,500,000 (TBRA + Restricted Reserve	$4,500,000 (TBRA)	$5,500,000 (TBRA + Restricted Reserve)	$5,500,000 (TBRA)
Construction Stage Development: Homeownership	$3,000,000 (Unrestricted Reserve)	$3,250,000 (LCDA)	$3,250,000 (LCDA)	$3,500,000 (LCDA)
Construction Stage Development: Rental, Mixed-Use, Commercial	$15,700,000 (LCDA + Unrestricted Reserve)	$8,750,000 (LCDA)	$8,750,000 (LCDA)	$12,400,000 (LCDA + Unrestricted Reserve)
Minnesota Housing Consolidated RFP (multi-family rental housing)[2]	$2,500,000 (LHIA + Unrestricted Reserve)	$2,500,000 (LCDA + LHIA)	$2,500,000 (LCDA + LHIA)	$3,500,000 (LHIA + Unrestricted Reserve)
Total	**$29.4M**	**$20.9M**	**$21.9M**	**$27.5M**

[1] Livable Communities used nine funding opportunity names. 2025 funding amounts are reported in the row that they would fall under the 2026-2027 program design.

[2] The funding recommendation for the Minnesota Housing Consolidated RFP funds multi-family rental housing (housing only and mixed-use), 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.

If the Met Council receives fewer requests than the available funds for the outcome, staff recommend using the remaining funds to fill requests in another outcome funded by the same funding account. For example, if there were not enough requests to make $200,000 in policy development grants, staff would recommend the remaining funds be used within one of the development project categories also funded by the LCDA.