

**Item:** Approval, Community Homeownership Impact Fund Scoring Revisions for the 2020 Single Family Request for Proposals

**Staff Contact(s):**

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**Request Type:**

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|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion   | <input type="checkbox"/> Discussion       |
| <input type="checkbox"/> Resolution          | <input type="checkbox"/> Information      |

**Summary of Request:**

Staff requests Board approval of the proposed changes to the scoring criteria for the 2020 Single Family Request for Proposals (RFP) and Community Homeownership Impact Fund (Impact Fund).

**Fiscal Impact:**

None.

**Meeting Agency Priorities:**

- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

**Attachment(s):**

- Background
- 2020 Single Family Request For Proposals Scoring Criteria

**Background:**

Minnesota Housing awards funding for owner-occupied housing projects through the annual Single Family Request for Proposals (SF RFP). The Community Homeownership Impact Fund (Impact Fund) is the program that implements the SF RFP and oversees the projects funded through the SF RFP. These projects include downpayment and closing cost assistance, owner-occupied rehabilitation, new construction, acquisition, rehabilitation, resale, and the Tribal Indian Housing Program.

Every year, Agency staff analyzes the scoring criteria and recommends whether changes, if any, should be made. The most recent changes to the scoring criteria were approved by the Board on February 21, 2019. This scoring criteria was used for the 2019 SF RFP.

This year, staff recommends changes to the scoring criteria following review of the 2019 SF RFP application round and aligning the scoring criteria with the Agency's 2020-2022 strategic priorities. These changes include our efforts for continuous improvement and streamlining the process for applicants and reviewers. They also reflect our efforts to support the Agency to go big, increase equity and inclusion, better serve rural communities, and more efficiently categorize points awarded.

Staff proposes revisions as follows:

- *Leverage*. While the total points for leverage remains the same, staff recommends removing "Leverage Ratio" and increasing the points for "Total Leverage." Leverage Ratio is removed because it is a comparison between leverage dollars and total development costs, which is not applicable to all activity types. Increasing the "Total Leverage" score and removing the "Leverage Ratio" score allows all activities to better incent leverage and reduce redundancy.
- *Program Design Suitable to Households of Greatest Need*. Remove Program Design Suitable to Households of Greater Need. It is already considered as a factor in scoring for Universal Design/Accessibility Features, Large Family Housing and Senior Housing.
- *Supporting Community and Economic Development*. Staff recommends moving the following priorities to this section: Location Efficiency, Community Recovery, Workforce Housing, and Economic Integration. These priorities were previously in the "Areas of Opportunity" section, which staff recommends removing. Staff also recommends reducing the points for Location Efficiency, Community Recovery, and Economic Integration. These priorities are based solely on the proposed target area. Reducing these points creates a more balanced statewide approach.
- *Rural Designation and Tribal Designation*. These were one combined priority for a total of 3 points. Staff recommends separating these into two priorities at 3 points each to encourage production in rural and tribal communities.
- *Business Entities Owned or Led by People of Color, Indigenous Individuals, and/or Women*. This reflects the Agency's commitment to equity and inclusion by providing points for developers and organizations led by people of color, indigenous individuals, and women.
- *Efficient Land Use*. Reduce and simplify the scoring for density.
- *Special Niche*. Remove Special Niche. It is already considered as a factor in scoring Community Need under the Selections Standards.
- *Opportunity Zones*. Remove Opportunity Zones. It is duplicative because it substantially overlaps with Community Recovery areas, which is already scored as a priority.

Points available for the three selection standards, organizational capacity, project feasibility and community need, will remain the same. Points available for funding priorities will decrease from a

maximum of 65 points total to a maximum of 53 points. Note that the maximum number of points an applicant can receive is also dependent upon the proposed activity.

## **PROPOSED RECOMMENDATIONS**

### **2020 SINGLE FAMILY REQUEST FOR PROPOSALS SCORING CRITERIA**

#### **SELECTION STANDARDS – up to 30 points total**

1. **Organizational Capacity** – up to 10 points based on the applicant’s related housing experience, demonstrated successful completion of similar projects, progress on current awards, and other organizational due diligence factors.
2. **Project Feasibility** – up to 10 points based on the extent to which reasonable development costs are proposed, how proposed development costs and subsidies compare to historical costs of similar Impact Fund projects, and the extent to which the proposal is economically viable.
3. **Community Need** – up to 10 points based on the extent to which the proposed project addresses a well-defined community need for the housing activity in the target geography based on local demographic, workforce, market and economic factors.

#### **FUNDING PRIORITIES – up to 52 points total**

##### **Efficient Use of Resources – up to 13 points total.**

1. **Leverage** – up to 9 points.
  - a. Total Leverage – up to 6 points based on the percentage of total committed leverage as compared to the total funds requested.
  - b. Diversity of Leverage – up to 3 points based on whether the proposal has received committed leverage from an employer, government or philanthropic source.
2. **Regulatory Incentive** – 1 point for incorporating costs savings measures through regulatory incentives, such as fast-tracking permitting approvals and waiver of fees, among other incentives.
3. **Impact Fund Subsidy Protection/Long Term Affordability** – up to 3 points based on the number of years of subsidy protection/long term affordability restrictions.

##### **Households of Greatest Need – up to 10 points.**

1. **Equitable Access to Homeownership** – up to 6 points for demonstrating a record of creating equitable access to homeownership by serving and reaching out to Households of Greatest Needs (i.e. Households of Color and Indigenous Communities, Persons with Disabilities, and Single Headed Households). This criterion is considered at two levels – (1) past performance and (2) outreach and program design going forward.
  - a. Past Performance
    - i. Households of Color and Indigenous Communities – up to 2 points based on the extent to which the Applicant has served households of color and Indigenous Communities.
    - ii. Persons with Disabilities – 1 point based on the extent to which the applicant has served persons with disabilities.
    - iii. Single Headed Households – 1 point based on the extent to which the applicant has effectively served single headed households.

- b. **Marketing and Outreach** – 1 point based on the extent to which the Applicant’s marketing and outreach plans position the Applicant to reach Households of Greatest Needs.
2. **Universal Design/Accessibility Features** – 1 point for incorporating universal design/accessibility features.
3. **Large Family Housing** – 1 point for committing to developing large family housing (i.e., homes with four or more bedrooms).
4. **Senior Housing** – 2 points for proposals that will enable individuals 62+ years old to age in place.
5. **Homeownership or Financial Education and Counseling** – 1 point if applicant requires homebuyers to complete pre-purchase homeownership or financial education or counseling from a qualified provider.

**Supporting Community and Economic Development – up to 19 points total.**

1. **Cooperatively-Developed Plan (CDP)** – 1 point if the proposal addresses priorities or recommendations in a CDP for the community in which the proposed target area is located.
2. **Rural Designation** – 3 points based on whether a proposed target area is within a rural designated census tract.
3. **Tribal Designation** – 3 points based on whether a proposed target area is within a Tribal Designated census tract.
4. **Location Efficiency** – up to 2 points based on access to transit and walkability. The basis of points awarded is defined separately for the Twin Cities Seven County Metropolitan Area and Greater Minnesota.
  - a. **Access to transit** – 1 point based on the extent to which a proposed target area has access to fixed transit or dial-a-ride.
  - b. **Walkability** – 1 point based on a documented Walkscore rating of 50 or more.
5. **Community Recovery** – 1 point based on the extent to which a proposed target area coincides with communities identified as having lower median household income, older housing stock, and higher than average declines in home sales prices.
6. **Workforce Housing** – up to 5 points based on the extent to which a proposed target area has a low housing vacancy rate, long commute, and/or is a job growth community.
  - a. **Long commute and/or job growth community** – up to 3 points based on the extent to which the proposed target area coincides with areas identified as long commutes and/or job growth areas.
  - b. **Low Housing Vacancy Rate** – up to 2 points based on low vacancy rates.
7. **Workforce Training Programs** – 2 points based on proposals that partner with workforce training programs that will be utilized with proposed developments.
8. **Economic Integration** – 1 point based on the extent to which the proposed housing activity that is affordable to eligible low- and moderate-income households is located within higher-income areas and near job centers.
9. **Business Entities Owned or Led by People of Color, Indigenous Individuals, and/or Women** – 1 point if an owner or executive director of a for-profit or non-profit entity is a person of color, indigenous individual, and/or woman.

**Increasing and Maintaining the Supply of Affordable Housing – up to 10 points total.**

1. **Efficient Land Use** – up to 2 points based on the extent to which a proposal maximizes the efficient use of land through higher-density housing development and takes into consideration the following:

- a. Rehabilitation proposals that increase inventory by converting non-residential buildings into housing and maximize units per acre; and
  - b. New Construction proposals that minimize the loss of agricultural land and green space and maximize units per acre.
2. **Maintaining Existing Housing Stock through Rehabilitation** – 3 points for projects that preserve existing affordable housing stock through rehabilitation, such as acquisition, rehabilitation, resale or owner-occupied housing rehabilitation projects.
3. **Foreclosed, Vacant or Abandoned Properties** – 1 point for proposals that bring homes back onto the market by addressing foreclosed, vacant or abandoned properties.
4. **Cost Containment through Advancement of Housing Innovation and Technology** – up to 2 points for proposals that use innovative construction methods and technology to contain costs (i.e., methods other than site-built), such as modular, panelized, robotics, and 3D printed methods of development.
5. **Affordable Housing Options** – up to 2 points for proposals that increase the supply of affordable housing through producing housing options other than single-family detached homes.